**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

**GCE Advanced Subsidiary Level and GCE Advanced Level**

# MARK SCHEME for the October/November 2010 question paper for the guidance of teachers

## 9707 BUSINESS STUDIES

**9707/21** Paper 2 (Data Response), maximum raw mark 60

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UNIVERSITY of CAMBRIDGE
International Examinations

**1 Big Bags**

**(a) Explain the following terms:**

**(i) Exchange rates [3]**

Content: The value/price of one currency in terms of another. E.g. £1=$1.7. Important for firms involved in imports/exports. Influences prices of raw materials and demand for finished products.

Level 2: Good explanation. (2–3 marks)
Level 1: Partial explanation/understanding. (1 mark)

**(ii) Cost of goods sold. [3]**

Content: Part of P&L account. Direct costs associated with purchasing the goods that are traded. = opening stocks + purchases – closing stocks.

Level 2: Good explanation. (2–3 marks)
Level 1: Partial explanation/understanding. (1 mark)

**(b) (i) Calculate the forecast gross profit margin for 2011. [3]**

GP = Sales – cost of goods sold (COGS) = $150m – $120m = $30m
GPM = $30m/$150m ×100 = 20%

Correct answer (3 marks)
Correct method but simple mistakes (2 marks)
Formula or identifies all the data but flawed calculation will earn (1 mark)

**(ii) The gross profit margin for 2010 is 50%. Using Table 1 and your answer to part (i), comment on the trend in gross profit margin. [3]**

Falling significantly. Falling sales value, COGS rising. Any reasonable answer (ARA).

| **Knowledge and Application** | |
|---|---|
| Level 2: Shows understanding of GPM in context. | (2–3 marks) |
| Level 1: Simple statements. | (1 mark) |

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**(c) Analyse how the Government might influence the activities of BB. [8]**

Environmental policies may mean targets and constraints for industries.
Green taxes will affect consumers' behaviour and change buying decisions (two sets of consumers here, supermarkets and their customers).
Economic policies can change spending patterns (interest rates, taxes etc).
Legal impositions.
Grants etc.
ARA.

| Knowledge and Application | Analysis |
|---|---|
| Level 2: Shows understanding of influence of government in context of the business.<br>(3–4 marks) | Level 2: Good analysis of influences in context.<br>(3–4 marks) |
| Level 1: Shows understanding of government influences.<br>(1–2 marks) | Level 1: Analysis of influences.<br>(1–2 marks) |

**(d) Evaluate how BB might respond to changes in the market for its products. [10]**

Content could include:

The market:
- Declining
- Government pressures
- Consumers (supermarkets and their customers) more aware of waste issues.

Possible responses:
- Extension strategies (alternative uses?)
- More environmentally-friendly bags
- Reduce costs/increase efficiencies
- Investment in research, equipment
- New products/diversification
- New raw materials

ARA

Evaluation likely to come through prioritising difficulties.

| Knowledge and Application | Analysis and Evaluation |
|---|---|
| Level 2: Shows understanding of market changes/possible responses in context of the business.<br>(3–4 marks) | Level 2: Evaluation of responses in context.<br>(3–6 marks) |
| Level 1: Shows understanding of market changes/possible responses.<br>(1–2 marks) | Level 1: Analysis of responses.<br>(1–2 marks) |

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**2 Newtown College**

**(a) Explain the following terms:**

**(i) private sector [3]**

Content: That section of business owned by private individuals either directly (e.g. sole traders etc) or via shares (e.g. ltd). Usually has profit as main objective. Contrasts with public sector (owned by government/state).

Level 2: Good explanation. (2–3 marks)
Level 1: Partial explanation/understanding. (1 mark)

**(ii) delegation [3]**

Content: Passing authority down a business hierarchy. Responsibility remains with the delegator.

Level 2: Good explanation. (2–3 marks)
Level 1: Partial explanation/understanding. (1 mark)

**(b) (i) Calculate the value of X in the cash flow forecast. [3]**

X = opening balance + income – expenses.
= –4 + 30 – 12
= 14
(3 marks)

Correct answer (3 marks)
Correct method but simple mistakes (2 marks)
Formula or identifies all the data but flawed calculation will earn (1 mark)

**(ii) Using Table 2 and your answer to part (i), briefly explain how this cash flow forecast might change if lower cash inflow is predicted. [3]**

Now shows cash surplus.
Closing balance would be less, but still unlikely to continue to need source of finance.

| **Knowledge and Application** |
|---|
| Level 2: Shows understanding of cash flow in the context of the business. (2–3 marks) |
| Level 1: Simple statements. (1 mark) |

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**(c) Analyse the methods of market research that NC might have used to identify the likely demand for their facilities. [8]**

Secondary research/desk research:
Research similar businesses.
Get idea of "population" size.
Who to contact.

Primary research/field research:
Customer needs.
Prices they might pay.
Facilities they need.

ARA.

| Knowledge and Application | Analysis |
|---|---|
| Level 2: Shows understanding of market research/methods in the context of the business. (3–4 marks) | Level 2: Good analysis of methods in context. (3–4 marks) |
| Level 1: Shows understanding of market research/methods. (1–2 marks) | Level 1: Limited analysis of methods. (1–2 marks) |

**(d) Discuss the factors that NC needs to consider when recruiting and selecting an Office Manager. [10]**

Increased costs, reduced incomes means low wages?
Unusual working hours (full-time in hols, part-time in term time). Who might this suit?
Lots of responsibility.
Unusual job. What qualities/skills (job description, person specification)
How best to recruit/select?

ARA.

Evaluation likely to come from recognising the key factors.

| Knowledge and Application | Analysis and Evaluation |
|---|---|
| Level 2: Shows understanding of recruitment/factors in the context of the business. (3–4 marks) | Level 2: Evaluation of factors in context. (3–6 marks) |
| Level 1: Shows understanding of recruitment/factors. (1–2 marks) | Level 1: Analysis of factors. (1–2 marks) |

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