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

9707/22 Paper 2 (Data Response), maximum raw mark 60

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UNIVERSITY of CAMBRIDGE
International Examinations

1 Big Boxes

(a) Explain the following terms:

(i) interest rates [3]

Content: The cost of borrowing expressed as a percentage. Influences business costs and business decisions.

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

(ii) e-commerce. [3]

Content: The use of the Internet in business trading. Can suffer from abuse such as fraud. May reduce retailing costs.

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

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

NP = Sales – cost of goods sold (COGS) – overheads = \$120m – \$60m – \$30m = \$30m
GPM = \$30m/\$120m × 100 = 25%

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

Falling significantly. Falling sales value, COGS not falling as rapidly, overheads rising. Any reasonable answer (ARA).

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

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(c) Analyse the likely impact of external influences on the activities of BB. [8]

Environmental policies may mean targets and constraints for industries.
Consumers' behaviour and changes in buying decisions (two sets of consumers here, businesses and home consumers).
Level of economic activity – recession, inflation.
Economic policies can change spending patterns (interest rates, taxes etc).
Legal impositions.
Grants etc.
ARA.

Knowledge and Application	Analysis
Level 2: Shows understanding of external influences/impact in context of the business. (3–4 marks)	Level 2: Good analysis of influences in context. (3–4 marks)
Level 1: Shows understanding of external influences/impact. (1–2 marks)	Level 1: Analysis of influences. (1–2 marks)

(d) Discuss how BB might change their marketing mix in response to the change in the market for its products. [10]

Content could include:

Price: Home consumers more demanding. What can they afford? Retail mark-up?

Product: Appearance and quality now important. Home consumers are likely to buy smaller volumes. Does this affect product? Informative to begin with?

Promotion: No longer business-to-business, so now more likely to be media advertising than other forms of promotion.

Place: Distribute through retail shops? E-commerce? Sell direct to customers?

ARA.

Evaluation likely to come through prioritising mix.

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of a marketing mix in context of the business. (3–4 marks)	Level 2: Evaluation of changes in context. (3–6 marks)
Level 1: Shows understanding of marketing mix. (1–2 marks)	Level 1: Analysis of changing the mix. (1–2 marks)

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2 Newtown Hospital

(a) Explain the following terms:

(i) public sector [3]

Content: That section of business owned by the state. May have profit as main objective or may be like hospitals. Contrasts with private sector (owned by individuals).

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

(ii) capacity utilisation. [3]

Content: The extent to which a resource (e.g. factory, machinery) is used, expressed as output/potential output × 100. Expressed as %. Needs to be high (efficiency) but not too high (diseconomies).

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

(b) (i) Suppose cash inflow in month 5 is $30m higher than in month 4 and all costs remain the same as those for month 4 (see table 2). Calculate the closing balance for month 5. [3]

Cash inflow = $50m
Closing balance = –7 + 50 – 7 = $36m

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), explain the usefulness of the cash flow forecast to NH. [3]

Shows $24m finance will be needed from somewhere.
Now in positive.
Some expenses are one-off so next year will be much better.

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 methods of market research that NH could use to help set the prices that it might charge private sector health organisations. [8]

Secondary research/desk research:
What prices are charged by private sector organisations for same facilities?
What similar facilities are there?
What demand is there for such facilities?

Primary research/field research:
What do organisations currently pay?
What would patients be prepared to pay?
What facilities do patients want?
Organisations may well not want to provide confidential information.

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 NH needs to consider in managing its human resources when starting the 'renting out' project. [10]

Union pressures – negotiations
Extra work
Overtime
Little possibility of extra pay
Will they like working for both public and private sectors?
Better management of facilities
ARA.

Evaluation likely to come from recognising the key factors:

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of human resources management/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 human resources management/factors. (1–2 marks)	Level 1: Analysis of factors. (1–2 marks)

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