UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education
Advanced Subsidiary Level and Advanced Level

BUSINESS STUDIES **9707/21**

Paper 2 Data Response **October/November 2010**

1 hour 30 minutes

Additional Materials: Answer Booklet/Paper

8259864714

READ THESE INSTRUCTIONS FIRST

If you have been given an Answer Booklet, follow the instructions on the front cover of the Booklet.
Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **all** questions.
The businesses described in this question paper are entirely fictitious.

At the end of the examination, fasten all your work securely together.
The number of marks is given in brackets [ ] at the end of each question or part question.

This document consists of **4** printed pages.

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1 Big Bags

Big Bags (BB) produce plastic products for the food retailing industry. Their main products include plastic carrier bags printed with supermarket logos and other types of packaging, such as cartons and bottles.

Extract from a statement by the Chairman of Big Bags

We need to change. Raw material costs and changing exchange rates have increased our cost of goods sold. Government policies on reducing waste will decrease the demand for our products. For example, MoneySave, our biggest customer, expects to reduce its purchases of our plastic bags and use fewer of our products. The following financial information highlights the problems:

Table 1 ($m)

	2010	**2011** (forecast)
Sales	180	150
Cost of goods sold	90	120
Overheads	20	30

Our research and development team is working on new types of plastic to make our materials more environmentally friendly. We must also look at ways of finding new markets or we will not survive.

Extract from statement by Chairman of MoneySave Supermarkets

We aim to cut packaging on our products by 30% next year in response to the Government's environmental policies and what our customers expect. We are going to start charging customers for our plastic carrier bags.

Extract from statement by the Government

This is a difficult time with the country's economy experiencing continued recession. The Government intends to stimulate economic growth. We are changing both fiscal and monetary policies. We are concerned that this growth should take place in an environmentally responsible way, so we will introduce more regulations to reduce waste.

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(a) Explain the following terms:

(i) Exchange rates (line 5) [3]

(ii) Cost of goods sold (line 13). [3]

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

(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]

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

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

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2 Newtown College

Newtown College (NC) is a successful college but is facing increasing costs and falling revenues. NC is in the private sector.

The college management is discussing a scheme to provide extra revenue by renting out facilities during the school holidays. Potential customers include:

- Local businesses (for training)
- Clubs (for sports events)
- Exam boards (for meetings).

Rooms will have to be improved to ensure high quality facilities and furnishings. There will need to be access to telephones, copiers and the Internet, as well as facilities for refreshments.

Following market research, the Principal of NC has prepared the following cash flow forecast for the next summer holidays if the scheme is implemented:

Table 2 ($000)

Week:	**1**	**2**	**3**	**4**
Opening balance	0	–12	–16	–4
Cash inflow	0	10	20	30
Refurbishment costs	10	10	0	0
Operating costs	0	2	4	6
Staff costs	2	2	4	6
Closing balance	–12	–16	–4	X

The Principal would like to appoint an Office Manager to run the new scheme. The job would be part-time during term time and full-time during the college holidays. NC would not be able to afford a high salary. The Principal is keen on delegation. The Office Manager would be responsible for all aspects of managing the facilities including marketing.

(a) Explain the following terms:

(i) private sector (line 2) [3]

(ii) delegation (line 23). [3]

(b) **(i)** Calculate the value of X in the cash flow forecast (Table 2). [3]

(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]

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

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

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