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

BUSINESS STUDIES **9707/23**

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

1 hour 30 minutes

Additional Materials: Answer Booklet/Paper

3229491772

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 **3** printed pages and **1** blank page.

© UCLES 2010

1 Big Bottles

Big Bottles (BB) produce plastic bottles for the soft drinks industry. BB has a number of difficulties.

Extract of statement from Chairman of Big Bottles

We need to change. Bottles from cheaper imported sources have increased competition and reduced our sales. Soft drink producers are expecting higher quality at lower prices. For example, Fruity Surprises, our biggest customer, plans to reduce its purchases of our plastic bottles. The following financial information highlights the problems:

Table 1

	2010	**2011** (forecast)
Sales ($m)	180	?
Gross Profit ($m)	90	60
Gross Profit Margin (%)	50	40

Our research and development team is working on using different imported raw materials to make our products cheaper and more environmentally friendly. We have a high level of wastage. Poor quality is becoming an increasing problem. We must look at ways of turning the business around or we will not survive.

Extract of statement from Chairman of Fruity Surprises

We aim to cut expenditure on plastic bottles and containers by 30% next year. This will enable us to cut prices of our soft drinks. Market research has shown that this is what our customers expect. Our competitors are using much more attractive bottles and labels for their drinks.

Extract from statement by the Government

This is a difficult time with the country's economy still in recession. We plan to stimulate economic growth. We are considering both fiscal and monetary policies. We want to avoid devaluing our currency.

(a) Explain the following terms:

(i) research and development (line 14) [3]

(ii) market research (line 21). [3]

(b) **(i)** Using Table 1, calculate the sales revenue for 2011. [3]

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

(c) Analyse the possible effects of Government economic policies on BB's activities. [8]

(d) Discuss how BB might respond to the difficulties that it faces. [10]

© UCLES 2010

2 Newtown University

Newtown University (NU) is in the tertiary sector. NU has a very high reputation for research into electronics technology. NU is expecting a smaller grant from the Government next year even though its costs are rising.

The University management is discussing a scheme to provide extra revenue by using its staff and facilities to do research into possible new products. Businesses will pay NU for the results of the research.

Extra laboratories and equipment will have to be provided. Facilities will have to be managed better to improve operational efficiency. Businesses will expect NU's researchers to develop new materials and ideas for new products.

NU's management has prepared the following cash flow forecast for the start of the project:

Table 2 ($000)

Month:	**1**	**2**	**3**	**4**
Opening balance	0	–12	–14	2
Cash inflow	0	10	20	X
Refurbishment costs	10	10	0	0
Operating costs	0	0	2	4
Staff costs	2	2	2	3
Closing balance	–12	–14	2	20

NU's management do not want to employ extra staff. Existing staff will be expected to increase their efficiency and work overtime. Students will also be expected to contribute to the research programmes. Most of NU's employees belong to a trade union which is worried about the extra work being given to its members.

(a) Explain the following terms:

(i) tertiary sector (line 1) [3]

(ii) operational efficiency (line 8). [3]

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

(ii) Using Table 2 and your answer to part **(i)**, comment on the change in the closing balance between month 1 and month 4. [3]

(c) Analyse how NU could promote the research facilities to businesses. [8]

(d) Discuss how the management of NU might motivate its employees involved in the scheme. [10]

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

University of Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.

© UCLES 2010