UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the October/November 2011 question paper for the guidance of teachers

9707 BUSINESS STUDIES

9707/11 Paper 1 (Short Answer/Essay), maximum raw mark 40

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes must be read in conjunction with the question papers and the report on the examination.

- Cambridge will not enter into discussions or correspondence in connection with these mark schemes.

Cambridge is publishing the mark schemes for the October/November 2011 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

UNIVERSITY of CAMBRIDGE
International Examinations

This mark scheme includes a summary of appropriate content for answering each question. It should be emphasised, however, that this material is for illustrative purposes and is not intended to provide a definitive guide to acceptable answers. It is quite possible that among the scripts there will be some candidate answers that are not covered directly by the content of this mark scheme. In such cases, professional judgement should be exercised in assessing the merits of the answer.

Examples of possible answers may also be included in this mark scheme. Again, it should be emphasised that this is for illustrative purposes and the examples chosen represent only some of the many possible responses that would merit reward.

© University of Cambridge International Examinations 2011

Section A

1 (a) A sole trader business is:
- a business owned and run by one person
- an unincorporated business
- single owner takes all decisions
- takes all profits/losses
- (may have employees).

A definition that indicates understanding. [1]
A definition that indicates full understanding. [2]

(b) Possible responses may include:
- limited financial resources, unlimited liability
- personal responsibility for all decisions
- limitations of the one individual
- no continuity of existence, lack of economies of scale
- lack of specialisation in management
- long hours of working
- takes all risk.

ONE problem accurately stated. [1]
TWO problems accurately stated. [2]
THREE problems accurately stated. [3]

2 (a) Break-even is the point where a business is making neither a profit or loss – it is the level of output and sales where total costs equal total revenue – where total contribution costs equal fixed costs: formula correct – TC = TR
– FC contribution

A definition that indicates partial understanding. [1]
A definition that indicates full understanding. [2]

(b) Limitations might include:
- seen as being too simplistic and with unreal assumptions
- assumes all output is sold and no stocks are held
- businesses do in fact hold stocks of finished goods
- a break-even point applies only to a single product or a fixed mix of products
- is drawn for a given set of conditions
- can't cope, say, with a sudden increase in wages/prices/changes in technology
- effectiveness of break-even analysis dependent on accuracy of data used. Flawed data = flawed conclusions
- assumes total revenue and cost functions are linear, whereas fixed costs change over time and can change with volume, and unit variable costs may change with output (economies of scale)
- does not cope/anticipate change in consumer demand/market.

Partial explanation of ONE limitation. [1]
Full explanation of ONE limitation or partial explanation of TWO. [2]
Full explanation of <u>TWO limitations</u>. [3]

© University of Cambridge International Examinations 2011

3 Limitations could include:

- general issues such as problems with the reliability of sample data
- sample bias
- extreme values may skew results
- wrong choice of sample type selected
- reference may be made to the limitations of specific sample types, e.g. random sampling assumes the homogeneity of sample members selected
- a small sample may be very unrepresentative and it is too costly to get a larger random sample
- quota sample results may also not be statistically representative and may need to be treated with caution.

Limited explanation of ONE limitation. [1]
Full explanation of ONE limitation or partial explanation of TWO. [2–3]
Full explanation of TWO limitations. [4–5]

4 **(a)** Laissez-faire leadership is:

- the opposite of autocratic leadership
- allowing staff the freedom to make their own decisions within broad guidelines
- allows for innovation and creativity but may leave staff feeling that they have little direction or support
- non-authoritarian leadership
- a 'hands-off' style of leadership.

Definition indicates partial understanding. [1]
Definition indicates full understanding. [2]

(b) Possible disadvantages:

- autocratic leadership where the leader makes all the decisions is seen as authoritarian
- total control
- non-learning and non-listening environment
- non-participative
- no room for staff input or involvement
- leads to demotivation, dissatisfaction, dependent leadership, needs a high level of supervision
- shuts out all the potential benefits of democratic leadership.

Partial explanation of ONE disadvantage. [1]
Full explanation of ONE disadvantage or partial explanation of TWO. [2]
Full explanation of TWO disadvantages. [3]

© University of Cambridge International Examinations 2011

Section B

5 (a) Answers may well apply a traditional model of economies of scale to this business, such as:

- financial – easier to borrow money, lower interest rates, bulk purchase
- technical – lower unit costs, more specialised machinery and equipment
- risk-bearing – stronger product portfolio, more contracts
- marketing – more extensive advertising and marketing possible
- managerial – ability to hire more expert/experienced clerks of work (managers, quality controllers).

Credit attempt to provide specific examples from this general model, for example: an ability to bid for and win more contracts as the business grows.

Analysis and examples, in context, of economies of scale. [7–8]
Good explanation of economies of scale in a growing business. [5–6]
Limited explanation of economies of scale in a (growing) business. [3–4]
Little understanding of economies of scale. [1–2]

(b) Significant factors might include:

- availability of land to build a new factory or availability of existing empty factory units
- inducements from host government in form of grants for specific locations
- location of existing trading/industry centres with supporting businesses
- adequate supply of labour (not necessarily skilled, as an assembly process might be significantly automated)
- transport network adequacy for import of parts and distribution network for export of vehicles
- quality of facilities and life in the chosen area for staff/managers moving to the country
- infrastructure development potential etc.
- market for product.

Evaluative comment on the factors proposed as being significant in context. [11–12]
Analysis of selected factors in context. [8–10]
Shows understanding of business location decisions and factors. [3–7]
Limited discussion of location decisions. [1–2]

© University of Cambridge International Examinations 2011

6 Answers might well initially seek to define staff training and development work in the context of HR roles and responsibilities:

- the attempt to equip staff with the knowledge, skills, competencies to perform better in existing jobs and to take on new roles/jobs
- recognise that this role can be department-specific as well as organisation-wide
- the development of new cultures, attitudes, behaviours, e.g. a learning organisation
- a more flexible and adaptable workforce, ability to manage and handle change, e.g. strengthen team-work, project management skills and capacity for interdepartmental working.

Candidates may refer to motivation theory – accept if contextualised in an essay on staff training and development but this is not a distinct motivation question. The value of training and staff development to an organisation should be made explicit, i.e. a better-trained and developed staff may be more productive, with clearer understanding and commitment to departmental and company objectives and goals, and have relevant skills and competencies to contribute more fully to successful business performance.

Some may question the value of investment in staff training and development and point out arguments against as well as for – give credit as appropriate. Such comments may amount to very intelligent evaluative comment.

Evaluative comment on the purpose and importance of HR staff training/development work on the achievement of business objectives. [17–20]
Analysis of examples of specific HR staff training/development work (with link to organisation objectives to gain mark at top end of mark range). [14–16]
Good understanding of HR training and development activities in a business. [11–13]
Some understanding of staff training/development activities. [5–10]
Very limited understanding of staff development/training issues. [1–4]

7 **(a)** Significant factors might include:

- the means to transfer goods to the end user in a cost effective way, maintaining quality and security
- choice of cost effective distribution channels vital
- long or short channels or even take over the channels (retailers)
- good distribution very important
- can be a competitive advantage and choke off competitors
- effective distribution allows benefits to be passed on to other parts of the marketing mix, e.g. lower prices and/or provide customer with convenient acquisition of goods and services
- poor distribution can doom an excellent product to market failure.

Analysis of the importance of the concept of effective distribution channels. [7–8]
Good explanation of the importance of distribution channels. [5–6]
Limited explanation of distribution channels. [3–4]
Little understanding of distribution channels. [1–2]

© University of Cambridge International Examinations 2011

7 (b) Answers may include:

- Marketing Mix – getting the right product, at the right price, in the right place, at the right time, with promotion directed at the right target group.
- 4 Ps – a business develops its marketing mix in developing a right product, selling through the right channels, at the right price, with the right promotional messages.
- Marketing Mix – is a conceptual framework that identifies the principal decisions marketing managers need to make – tools of the mix used to develop long-term marketing strategies and short-term tactical campaigns.

Mobile phone business is very competitive:

- need to establish a brand and position it
- take account of constantly changing technology
- constantly review pricing strategy
- reinvent the product as mobile phones develop into rich multimedia handsets
- identify a variety of possible target markets/a variety of phones for different lifestyles, usage, budgets
- how to penetrate the market
- how to diversify the product
- how to develop the product
- all such decisions assisted by the marketing mix framework, e.g. Nokia might:
  - Price – sell at a high price, incorporating the latest technology
  - Place – sell in established mobile phone dealerships to protect the brand and convince younger buyers of its exclusivity
  - Promotion – focuses on promoting new technologies and mobile devices, using one large advertising campaign to appeal to different markets for its quality and technological cutting edge rather than focus on individual mobile phones
  - Product – develop and incorporate latest technology.

Some evaluative comment on issues affecting/determining the development of an appropriate mobile phone business marketing mix. [11–12]
Analysis of how a Marketing Mix might be developed for a mobile phone business (with relevant reference to specific aspects/examples of a Marketing Mix). [8–10]
Good understanding of the Marketing Mix. [3–7]
Little understanding of the Marketing Mix. [1–2]

© University of Cambridge International Examinations 2011