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

9707/12 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.

Section A

1 (a) Operational efficiency is about business performance, where a given task is measured against pre-set standards, such as cost, speed, completeness, that indicate the best use of resources (money, time, labour):

- the ratio of input to output
- maximum output for minimum input
- avoid mistakes
- right first time
- a focus on the means or process
- 'doing the thing right'.

Partial definition given. [1]
Full definition given. [2]

(b) Measures could include efficiency ratios measuring how a business uses and controls its assets, e.g.:

- relationship of total operating expenses to total revenue
- labour productivity (output divided by number of workers employed)
- capital productivity (output divided by amount of capital employed)
- unit cost levels benchmarked with industry average/best
- total asset turnover (£3 of revenue generated for every £1 invested in total assets)
- net profits to gross income, etc.

Some implied understanding of operational efficiency. [1]
Limited explanation of ONE way of measuring operational efficiency. [2]
A full explanation of ONE way of measuring operational efficiency. [3]

2 (a) Costs fixed irrespective of the level of output, e.g. rent, rates (property taxes), insurance, depreciation.

Definition that indicates partial understanding. [1]
Definition that indicates full understanding, either with a link to output or with a relevant example. [2]

© University of Cambridge International Examinations 2011

(b) Variable costs – are costs that do vary with production/output, e.g. raw materials and wages may change in proportion to output, assuming no economies of scale.
Marginal costs – are the cost of producing one extra unit of production/output – used to indicate the contribution of a product or cost centre.

Partial explanation of ONE of the costs. [1]
Full explanation of ONE of the costs or partial explanation of TWO costs. [2]
Full explanation of BOTH costs thus making a clear distinction. [3]

3 Possible needs that could/should be met in a business environment (reference Maslow and Herzberg) may include:

- basic survival needs (money)
- job security
- acceptable working conditions
- support of colleagues
- team-work opportunities
- sense of belonging
- recognition and reward (intrinsic and extrinsic), self-actualisation, reach full potential, variety of work, job enrichment, involvement, participation etc.

Some discussion of employee needs or limited explanation of ONE employee need. [1]
Sound explanation of ONE employee need or partial explanation of TWO. [2]
Sound explanation of ONE employee need with a limited attempt to explain a SECOND need. [3]
Sound explanation of TWO employee needs. [4]
Sound explanation of TWO employee needs with a specific and accurate reference to a motivational theorist or theory. [5]

4 **(a)** Business objectives defined as goals/targets that a business sets, such as profitability, sales growth, return on investment, which form the foundation on which strategic and operational policies are based – the means to achieving business purpose and organisational goals.

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

(b) Essentially looking for early business-wide objectives, e.g. survival, break-even, (then make profit), become environmentally aware, gain market share, establish market reputation, manage cash flow efficiently, retain staff etc.

Partial explanation of ONE objective. [1]
Sound explanation of ONE objective or partial explanation of TWO. [2]
Sound explanation of TWO objectives. [3]

© University of Cambridge International Examinations 2011

Section B

5 (a) Top-down, directive, full control leadership with little employee input. Often compared unfavourably with democratic leadership but arguably has advantages and in appropriate contexts is potentially very effective:

- in military and other crisis situations (fire and rescue, police)
- in times of stress and emergency, an autocratic style may well be best style to adopt
- staff need to be told exactly what to do and when to do it.

Focus on the task rather than on suggestions of ways to perform. Businesses that focus on the task can develop a competitive advantage through increased productivity. Groups/teams often require authoritative leadership to perform effectively and autocratic direction and leadership is sometimes necessary.

Analysis of advantages of autocratic leadership.	[7–8]
Good explanation of advantages of autocratic leadership.	[5–6]
Limited explanation of advantages of autocratic leadership.	[3–4]
Little understanding of autocratic leadership.	[1–2]

(b) The question is about business leaders. Strong answers will do more than simply outline some basic management roles and functions. Effective leaders may or may not be good managers. They are described, however, as having a number of distinctive roles, e.g.:

- to give strategic direction
- to inspire others
- to shape and build organisations
- to communicate well
- to have a holistic concern for the organisation (see the big picture, think the big ideas)
- to be resilient
- to be sensitive/emotionally intelligent
- to be willing to make unpopular decisions etc.

Reward any sensible quality that clearly relates to the role of leader.

Evaluative comment on the sound business leadership qualities proposed.	[11–12]
Analysis of some sound business leadership qualities proposed.	[8–10]
Shows understanding of some sound business leadership qualities.	[3–7]
Limited understanding of leadership qualities.	[1–2]

© University of Cambridge International Examinations 2011

6 Answers might initially define ethical business decisions – 'right and proper' decisions in a business context. There may well be moral judgements to be made and moral dilemmas to face in the retail clothing context. Key issues are the sourcing of raw materials and the production process in distant lands.

The advantages of an ethical stance include:
- reputation
- marketing and publicity benefits of establishing and communicating the high moral stance taken
- competitive advantage perhaps gained
- impact on the internal culture of the retailer encouraging pride in the company.

The disadvantages of an ethical stance may include:
- costs may increase, a potential disadvantage compared with competitors
- reduced opportunity of overseas outsourcing
- more close control of suppliers required but is such control possible anyway?

Question gives opportunity to balance out both sides of the debate: 'ethical or not?' or 'what degree of ethical behaviour?'

Evaluative comment on the ethical choices and consequences for a large clothing retailer facing ethical dilemmas and problems. [17–20]
Analysis of the pros and cons of deciding to be an ethical business in the context of clothing retail. [14–16]
Good understanding of the pros and cons of ethical decision-making. [11–13]
Some understanding of the pros and/or cons of taking ethical business decisions. [5–10]
Very limited understanding of the impact of ethical decisions. [1–4]

7 **(a)** Answers may initially define the product life cycle concept – the stages a product is said to pass through. Possible uses include:
- one of the tools a business may use for marketing plans and strategies – identify where a product sits in the life cycle and apply marketing expenditure accordingly
- an important tool in managing a product portfolio and mix
- indicates broad trends in revenue that a product might earn for a business
- identifies points at which a business may need to launch new products or engage in extension strategies
- allows a business to plan different types of marketing for different products – a key tool for a marketing manager.

Analysis of the product life cycle and its usefulness for a marketing manager. [7–8]
Explanation of the role and importance of the product life cycle. [5–6]
Limited explanation of the product life cycle. [3–4]
Little understanding of the product life cycle. [1–2]

© University of Cambridge International Examinations 2011

(b) Initially perhaps some general comments on the increasing business use of websites to carry out significant marketing operations – advertising, promotion, selling, branding etc.

With reference to a cinema, there are some clear potential advantages:

- websites are powerful assets for business to connect with existing and potential customers
- find out information on film showings, admission prices, book seats in advance, information and reviews of current and future films
- encourages more business, special offers, previews and film premier showings
- target age range that is familiar with the Internet.

Potential disadvantages are:

- extra costs (additional to more traditional methods of advertising and promotion?) – initially costly to set up
- costly to maintain – may need to buy in the expertise
- may have no choice if competitors have already moved in this direction.

Some evaluative comment on some well-explained business implications of moving to online advertising in context of cinema. [11–12]
Analysis of a range of business implications identified in context. [8–10]
Shows understanding of advantages and/or disadvantages of online advertising. [3–7]
Shows a very limited understanding of online advertising. [1–2]

© University of Cambridge International Examinations 2011