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 2011**

1 hour 30 minutes

Additional Materials: Answer Booklet/Paper

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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.
You may use a soft pencil for any diagrams, graphs or rough working.
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.

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1 Now

Now is a private limited company. Now retails women's fashion clothes at their shops in the country's three major cities. Now currently operates in a mass market. Clothes have to be both affordable and fashionable. Advertising is currently through women's magazines as well as exciting shop window displays which are forever changing to show the latest fashions.

Now employs mainly full-time workers. Now treats its employees well but offers lower pay than its competitors.

Table 1: Average Hourly Wage Rate ($)

Now	4.00
Main competitor	5.00

Phil, the Human Resources manager, has identified increasing problems with recruitment:

- Competitors are recruiting aggressively
- Competitors' shops are in more convenient locations near bus routes
- Poor responses from newspaper advertisements
- Few candidates able to match demanding job specifications
- Employees like to work near where they live.

Now is considering the possibility of introducing a range of clothes for expectant mothers. This market segment is not influenced much by changes in the country's economy. Having a baby is expensive and maternity clothes (clothing for women expecting a baby) are not worn for very long.

Now has the possibility of opening a new shop in a new shopping centre outside of the capital city. This shopping centre will be the biggest shopping development ever in the country. It will have air conditioning, parking, restaurants and cinemas. Rents would be higher than in the city centre. It has the advantage of being near a new, large housing development.

(a) Explain the following terms:

(i) private limited company (line 1) [3]

(ii) mass market (line 2). [3]

(b) **(i)** Calculate the percentage difference in wages at Now compared with its main competitor. [2]

(ii) Briefly analyse **two** methods that Now could use to improve recruitment at its existing shops. [4]

(c) Recommend changes to the marketing mix if Now introduces a range of maternity clothes. Justify your answer. [10]

(d) Analyse the factors that might influence Now's decision as to whether to open a shop in the new shopping centre. [8]

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2 Newtown Arts Centre

Newtown Arts Centre (NAC) has exhibitions of paintings and sculptures. NAC is in the public sector. It is funded largely by grants from the Government and charities. It does not charge entrance fees. NAC organises exhibitions that promote particular cultures and lifestyles. NAC also encourages young artists and local artists.

Recently some of the grants have been withdrawn and there is now insufficient money to pay the direct costs of the centre.

The management of NAC are considering a proposal to rent out one of its art galleries for use as a conference room. Manuel, the Finance Director, has estimated that the fixed costs of renting out the facilities would be $8000, while the variable costs would be $100 per day. NAC is considering charging a price of $500 per day. In addition, there may be an opportunity cost.

Recently NAC have been criticised in the newspapers for:

- Misleading promotions
- Putting on exhibitions that promote one culture more than others
- Paying very low wages to cleaners
- Dismissing staff because they are too old
- Charging too much for the use of facilities such as toilets.

(a) Explain the following terms:

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

(ii) direct costs (line 6). [3]

(b) **(i)** Calculate how many days NAC needs to rent out the art galleries in order to break even. [3]

(ii) Explain the limitations to NAC of your break-even calculation. [3]

(c) Analyse the **sources** of market research information that NAC might use to improve its knowledge of the potential market for conferences. [8]

(d) Discuss the extent to which NAC has been ethical in its business activities. [10]

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