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

BUSINESS STUDIES **9707/22**

Paper 2 Data Response **October/November 2011**

1 hour 30 minutes

Additional Materials: Answer Booklet/Paper

8762978411

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 **4** printed pages.

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1 Kidz

Kidz retails fashion clothes for very young children. Kidz is a partnership owned by Pavan and Neema. Kidz buys in all its clothes from low cost suppliers around the world. Children grow out of clothes quickly. This means the low cost of the imports is regarded by Kidz as more important than the quality of the clothes.

Kidz has two shops: A and B. Pavan is concerned at falling customer service and increasing customer complaints at shop A. Pavan has collected the following information.

Table 1: Human Resources data

	Shop A	Shop B
Average hours worked per week per worker	20	40
Average hours training per week per worker	1	5
Percentage of working time spent on training	5	X
Average length of service with Kidz (weeks)	2	12
Average age of workers	17	24

Shop A employs part-time students.

Kidz targets the low income market segment with 'cheap and cheerful' clothes. Advertising has not been necessary as the shops are located in convenient locations in shopping centres.

Pavan is keen to open a third shop. He is considering three possible locations: P, Q or R.

Table 2: Location data

Site	Locality	Local transport	Rent	Premises
P	Growth area outside the city	Access by car only	Low	Factory conversion
Q	Near city business centre. 5 km from existing Kidz shops	On bus routes	Medium	Disused shop – needs converting
R	The other side of the city from the existing shops in an area of high unemployment	Free bus to large shopping centre; free parking	High	Empty – ready to use

Neema is considering extending the product range to include school uniforms. These will be aimed at older children attending particular schools in the area. The school uniforms will be made to the individual requirements of each school by a local manufacturer. Each uniform is expected to be good enough to wear for at least a year.

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(a) Explain the following terms:

(i) partnership (line 1) [3]

(ii) market segment (line 15). [3]

(b) **(i)** Calculate the value of X in Table 1. [2]

(ii) Comment on the training needs of Kidz that this calculation and Table 1 suggest. [4]

(c) Analyse possible changes to the marketing mix of Kidz if it decides to extend the product range to include school uniforms. [8]

(d) Using Table 2 and other information, recommend the best site for the third shop. Justify your answer. [10]

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2 Rex Cinema

Attendances at cinemas across the country have been declining for several years. For most cinemas, profits before tax (net profits) have been falling and some cinemas have closed recently. Ike and Tina, the owners of Rex, are worried that the business may make a loss next year unless something is done to increase revenues and reduce costs. Most of the costs involved in operating a cinema are fixed. Only the costs of hiring films and purchasing food and drinks for sale are variable or semi-variable costs.

Tina does not understand why attendances are falling. Rex's mission statement (their overall objective) is: 'we aim to be recognised as the best cinema in town'. Tina thinks that they have achieved this by providing comfortable seats at good prices. She wonders what else they can do.

Ike is interested in increasing revenue by putting on extra film shows, late at night. He believes that this will be profitable if more than 150 people attend each film show. He estimates the fixed costs to be $300 per show, with the variable costs at $0.50 per person. The cinema holds 175 people.

Tina does not know whether there is a market for these extra film shows. Friends have told her that they would attend once a week and she knows that another cinema in the same town has already started late night showings of particular types of films.

Some of Rex's customers think that Rex Cinema has:

- Uncomfortable seats
- High prices
- Boring films
- Expensive refreshments
- Poor facilities.

However, a recent review in the local newspapers praised Rex for providing 'imaginative and challenging entertainment in traditional surroundings'.

(a) Explain the following terms:

(i) profits before tax (net profits) (line 2) [3]

(ii) fixed costs (line 13). [3]

(b) **(i)** Calculate the price that Ike would need to charge in order to break even at 150 people per extra film show. [3]

(ii) If Rex charged $2 then the break-even would increase to 200 people. Comment briefly on the usefulness to Ike of the break-even information. [3]

(c) Analyse the **methods** of primary research that Ike and Tina could use before making a decision about the extra film shows. [8]

(d) Discuss the extent to which Rex's overall objective is being achieved. [10]

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