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 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 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 Suave

Suave is a public limited company. It manufactures and retails fashion clothes for men. Suave has a factory in the capital city for manufacturing the clothes. The company has shops in most towns and cities in the country.

Suave employs mainly part-time workers in its shops. Peter, the Human Resources Director, has identified problems with labour turnover at the capital city shop. He has prepared the following information.

Table 1: Human Resources information

	Capital city shop	Typical small town shop
Local unemployment	High	Low
Wages offered	Below local average	Above local average
Typical employee	Student	Experienced shop assistant
Average staff level in 2010	40	10
Staff leaving in 2010	32	2
Labour turnover*	Q	20%
Competitors	Many	Few
Management style (McGregor)	X	Y

* The percentage of the average staff level that leaves during the year.

Currently, Suave aims its products at the niche market of business executives. Clothes are manufactured to the highest quality with the best available materials. Designs focus more on appearance than comfort. An extensive advertising campaign in newspapers and magazines emphasises the superior nature of Suave's products and its premium prices.

Suave is considering the possibility of introducing a range of casual clothes designed to meet the needs of lower income customers. This larger market has greater growth potential than its current niche market.

Recent increases in competition, together with worsening economic conditions, mean that Suave needs to find ways of reducing costs. The Board of Suave is considering relocating production to a developing country. Louise, the Production manager, has produced the following information.

Table 2: Comparison of locations for production

	Government support	Transport links	Workforce	Operating cost	Development cost
Existing location	None	Developed	Loyal, skilled	High	None
Developing country	High	Poor	New, unskilled	Low	Substantial

(a) Explain the following terms:

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

(ii) niche market (line 18). [3]

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

(ii) Using Table 1, briefly analyse **one** reason for the difference in labour turnover between the two shops. [4]

(c) Recommend a marketing mix for the new range of casual clothes. Justify your answer. [10]

(d) Using Table 2 and other information provided, analyse the factors Suave should consider when deciding whether or not to relocate its factory. [8]

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2 The Dreambox Theatre

The Dreambox Theatre (DT), a private limited company, has had declining attendances and profits for several years. DT needs to generate new sources of income in order to survive. Most of the performances at the theatre are in the evening. The theatre puts on a variety of plays using professional and amateur performers. The theatre holds 200 people.

Ho, the Managing Director, is keen on encouraging young people to come to the theatre. He sees an opportunity to use the theatre for one additional daytime performance each week for school groups. The theatre would provide teaching materials with the help of local teachers.

Ho estimates the fixed costs to be $500 for each extra performance. The variable costs will be about $1 per student. He is thinking of charging a price of $6 per student.

Yaya, the Marketing Director, guesses that there are about 20 schools in the city that might be interested in attending these daytime performances. She is keen to get more information about this potential market.

Recently the theatre has received the following bad publicity in local newspapers and on television:

- Putting on plays that cause offence to some people
- Charging women for toilet facilities
- Charging high prices for popular performances
- Selling refreshments which are out-of-date
- Wasting energy by leaving the air conditioning on for too long.

(a) Explain the following terms:

(i) profits (line 2) [3]

(ii) variable costs (line 8). [3]

(b) **(i)** If Ho charges $6 per student, calculate how many tickets DT would need to sell to break even. [3]

(ii) If Ho changed the price to $3 per student, the break-even would become 250 tickets. Comment on the usefulness to Ho of these break-even calculations. [3]

(c) Analyse possible **sources** of secondary information that might be useful to Yaya. [8]

(d) Discuss the extent to which business ethics are important to DT. [10]

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