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GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the October/November 2012 series

9707 BUSINESS STUDIES

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

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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) Limited liability is the situation where the only liability or potential loss that a shareholder has if a company fails is the amount invested in the company not the total wealth of the shareholder.

- a definition that indicates limited understanding [1]
- a definition that indicates full understanding. [2]

(b) Advantages could include: separate legal personality of a private limited company, likely continuation of a company in the event of the death of a shareholder, better able to raise capital through sale of shares to family, friends, and employees, greater status than an unincorporated business, original owner may still be able to retain control over the business.

- partial explanation of ONE advantage/statement of TWO advantages [1]
- sound explanation of ONE or partial explanation of TWO advantages [2]
- sound explanation of TWO advantages. [3]

2 (a) Marketing objectives could include: increase market share, achieve market leadership, increase total sales levels, develop new markets, re-brand the product, re-launch the product etc.

- ONE marketing objective stated [1]
- TWO marketing objectives stated. [2]

(b) Reasons could include: give a sense of direction to the marketing department, ensure marketing objectives are in alignment with business corporate objectives, progress can be measured against those objectives, allows for further setting of specific product targets, forms the basis of the marketing strategy for the business.

- partial explanation of ONE reason/states TWO reasons [1]
- sound explanation of ONE or partial explanation of TWO reasons [2]
- sound explanation of TWO reasons. [3]

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3 Explanations could include the following: many may well define working capital – the capital needed to pay for the day-to-day running costs of a business and the credit offered to customers, current assets minus current liabilities.
Without efficient management, for example, the inability to pay short term debts may lead to liquidity problems and business failure – whereas the efficient management of assets can help to earn interest and reduce interest payments. Too much working capital could mean business opportunities lost (opportunity cost). Working capital management focuses on 4 main components of working capital cycle, managing debtors (extending a shorter period of credit) managing creditors (extending period of time to pay) managing inventory (keeping smaller levels), managing cash (cash flow forecasting). Failure to manage these 4 components puts all businesses at risk and efficient working capital management will reduce wastage of resources. Just as important for large- and medium-sized companies as it is for small companies.

- limited and general reference to working capital or gives a definition [1]
- clear explanation of working capital and the need to manage it [2–3]
- clear explanation of working capital with good examples of the importance for businesses of the efficient management (probably with reference to implications of efficient/non efficient management). [4–5]

4 **(a)** Emotional intelligence (EI) (measured by emotional quotient (EQ)) is defined in terms of the notion of multiple intelligences. It is suggested that individual, business and corporate success is not determined by intellectual capability/capacity alone. Emotional intelligence is also important, some say more important. The ability/competencies to be aware of, control, and manage, the emotions of self and the emotions of others. Unlike intellectual intelligence it is suggested that EI can be learned, developed, and improved. Goleman's model of emotional competencies proposes that there are 4 key emotional competencies – self-awareness, self-management, social awareness and relationship management.

- partial definition given [1]
- full definition given. [2]

(b) The potential disadvantages of democratic leadership could include the following: the features of discussion, participation, inclusiveness, and two way exchange of information associated with democratic leadership may have organisational costs and disadvantages. Democratic leadership may be time consuming, slows down or prevents decision making, some organisational/management decisions may be too sensitive or confidential for democratic discussion (job losses, new products/services), workers may be uncomfortable with democratic approach (theory X workers), leaders/managers may be unwilling or unable to operate in a democratic way.

- partial explanation of ONE disadvantage or states TWO disadvantages [1]
- sound explanation of ONE disadvantage or partial explanation of TWO [2]
- sound explanation of TWO disadvantages. [3]

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Section B

5 (a) Candidates may well put the answer into a theoretical context using Taylor and his theory of 'economic man' and then specifically explain the various financial rewards that might be used to motivate workers, such as: wages, salaries, piece rate payments, payment by results, commission, bonus payments, share ownership, fringe benefits, profit sharing etc.

- analysis of how financial rewards could be used to motivate [7–8]
- good explanation of how financial rewards are used to motivate [5–7]
- limited explanation of how financial rewards are used to motivate [3–4]
- little understanding of financial rewards and/or motivation. [1–2]

(b) Staff training and development has the essential aim of ensuring that workers are well equipped to perform duties and responsibilities now and in the future. It is considered to be important to ensure a business has a workforce with the appropriate skills, competencies and experience to contribute to an efficient and effective business. The discussion may give examples of staff training: on-the-job, in-house, external, to increase productivity and capability of workers, supporting job enrichment/enlargement policies, motivate staff, giving more confidence/sense of achievement and staff development: prepare staff for new challenges, promotion, secondment, delegation etc. Motivation theory references if accurate and relevant should of course be rewarded.
The context of a school will of course have a number of different categories of workers – academics, administrators, and support staff each having different training/development needs.

- evaluative comment on the importance of training and development in motivating workers in context of a school [9–12]
- analysis of the importance of training and development for motivation in context of a school [7–8]
- good discussion of a link between training and development and worker motivation [3–6]
- limited discussion of training and development and/or motivation. [1–2]

6 Answers might well initially define JIT – the stock control method that aims to avoid holding stocks by requiring supplies to arrive just as they are needed in production. This method has influenced businesses across the world and its potential benefits and advantages might suggest that there is no more effective way to manage inventories – it is easy to understand, it offers significant savings in employee and capital costs, reduces wastage and supports quicker response times for customers, reduces storage costs, etc. The benefits are potentially considerable. However while JIT may be easy to understand it is often less easy to put in practice and has drawbacks that may make the method unsuitable for many businesses. It requires excellent relations with suppliers, production staff need to be multi-skilled and flexible, a different organisational culture may be required, very accurate demand forecasts are required for production schedules, the delivery costs of a larger number of smaller supply orders may be higher, administrative costs may increase, costs of halting production to wait for supplies may be costly, small companies may find IT systems required may be prohibitive, and with rising global inflation it may make good sense to hold and store stock.
So lots of potential advantages of moving to JIT approach but there are requirements and drawbacks that might make the system ineffective for all sizes and types of businesses. Individual and particular company circumstances will determine the viability of adopting JIT.

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- evaluative comment on the viability for businesses to adopt a JIT method of inventory control [17–20]
- analysis of factors that might determine the effectiveness of adopting JIT [13–16]
- good discussion of the factors that might determine the effectiveness of adopting JIT [11–12]
- some understanding of the factors that might determine the effectiveness of adopting JIT/advantages and disadvantages [5–10]
- limited understanding of JIT. [1–4]

7 (a) Answers could define the marketing concept of a USP, a specific means or method of product differentiation to gain a competitive advantage, the aspects of a product or service that makes it different from others. The context of a mobile phone business is the intense market competition and where products may be subject to rapid and significant changes in fashion and technology, the requirement to continually establish and review the USP of the product and to communicate it through promotion and advertising.

- analysis of the USP concept, its importance, and its application to mobile phones [7–8]
- good explanation of the USP concept in context [5–6]
- limited explanation of the USP concept [3–4]
- little understanding of the USP concept. [1–2]

(b) Concern for the customer is considered to be of vital importance as retail stores compete for business (some people are in fact willing to pay a premium price for distinctive customer care). A customer focus (or indeed obsession) is considered to be a cultural characteristic of successful retail stores and an essential component of reputation and loyalty. Good customer care becomes so significant and obvious that it assumes the role of a USP. A business may make improved customer relations a key organisation objective or a key feature of the mission statement. Hence it may use this to motivate/incentivise staff – customer relations may become a key feature of appraisal/staff development systems. It may also prompt the business to examine the style of management and leadership, to establish and support a culture of customer care. Specific methods could include: opportunities for customer feedback and suggestions, improve the service to customers, improve the range of products/information about goods, take on more staff/more training for existing staff, etc.

- some evaluative comment on a range of practical proposals (perhaps a strategy) to improve customer relations in a retail business [9–12]
- analysis of a range of practical proposals to improve customer relations in a retail business [7–8]
- good discussion of customer relations methods and approaches (in a retail business) [3–6]
- limited understanding of customer relations issues. [1–2]

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