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GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the October/November 2012 series

9707 BUSINESS STUDIES

9707/12 Paper 1 (Short Answer/Essay), maximum raw mark 40

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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) Induction training is an introductory training programme to assist newly appointed employees to settle in and feel comfortable in a new organisation/job. They will receive information about the organisation/job, personnel policies, culture, regulations, systems, structures etc.

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

(b) The many ways in which HR managers are said to contribute to business objectives include: workforce planning, recruitment and selection of appropriate staff, training and development of staff to ensure appropriate skills and competencies, issuing and revising contracts of employment, improving staff morale and motivation, devising appropriate pay systems and monitoring staff performance. These and other activities are said to equip a business to pursue and achieve its objectives.

- partial explanation of ONE way HR helps achieve business objectives or a statement of TWO ways [1]
- sound explanation of ONE or partial explanation of TWO ways [2]
- sound explanation of TWO ways. [3]

2 (a) The demand for a product or a service is defined as the quantity of a product or service that consumers are willing and able to buy at a given price in a particular time period.

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

(b) The factors that could influence the demand for a product might include the following: the price/cost of a product (absolute and relative to other expenditure options) would be a significant factor. Consumer incomes and future anticipated changes affecting discretionary income, the price/cost of substitute products, existing and future state of the economy (local and national), changes in population size and structure, type and extent of advertising and promotion etc. also a range of factors, some consumer oriented, some market segment determined, some macro economic.

- partial explanation of ONE factor influencing demand or a statement of TWO factors [1]
- full explanation of ONE or partial explanation of TWO factors [2]
- full explanation of TWO factors influencing demand. [3]

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3 Businesses engage in cash flow forecasting (the estimation of future cash inflows and cash outflows) in order to ensure the business remains liquid – vital for all businesses but especially important for small businesses who are very vulnerable to cash flow variations and fluctuations – financial planning is vital if these businesses are to have sufficient cash to pay bills and the expenses of running a business. It is not unusual for small businesses to be profitable but fail in the short term through cash shortfalls – new businesses often given shorter times to pay suppliers and banks can be more vigilant with small businesses, so small businesses need to do cash flow forecasting for effective cash management to avoid cash flow problems.

- some reference to the concept of cash flows in a business [1]
- an explanation of cash flow forecasting in a business [2–3]
- clear explanation of the IMPORTANCE of cash flow forecasting in business [4]
- clear explanation of the importance of cash flow forecasting in SMALL businesses. [5]

4 **(a)** Public limited companies are companies with limited liability with the right to sell shares to the general public and have shares quoted on the national stock exchange – the most common form of legal organisation for large businesses.

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

(b) Advantages of a public limited company over a private limited company include:
The right to advertise shares for sale and have them quoted on the stock exchange, means that potentially large sums of money can be raised from public issue of shares, also means existing shareholders can quickly sell shares if they wish, this flexibility of share buying and selling encourages the public to buy shares and invest in the business, the ability to raise substantial funds may facilitate significant growth opportunities, recruit more experienced staff and make more substantial capital investment decisions.

- partial explanation of ONE advantage that a public limited company has over a private limited company or a statement of TWO advantages [1]
- sound explanation of ONE advantage or partial explanation of TWO advantages of a public limited company over a private limited company [2]
- sound explanation of TWO advantages of a public limited company over a private limited company. [3]

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Section B

5 (a) Reference should be made to the Mintzberg model of 10 managerial roles for top managers divided into three groups 1. Interpersonal Roles (figurehead, leader, and liaison roles) 2. Informational Roles (monitor, disseminator, and spokesperson roles) 3. Decisional Roles (entrepreneur, disturbance handler, resource allocator, negotiator roles). We do not require the classification in full, rather reference to specific aspects when explaining the value of the classification: in describing what managers are expected to do, better understanding of the managerial function, acts as a benchmark for deciding on a job specification, for manager training/development, The classification suggests that the manager role is quite varied and often contradictory in its demands. The classification can be used as a set of evaluation criteria for assessing the performance of a manager.

- analysis of the usefulness of the classification for a business [7–8]
- good explanation of the Mintzberg classification (aspects) [5–6]
- limited explanation of the Mintzberg classification (aspects) [3–4]
- little understanding of this classification. [1–2]

(b) The view is that as well as an appropriate level of intellectual intelligence (IQ) effective managers should have and develop an appropriate level of emotional intelligence (EI) or emotional quotient (EQ). This is the theory of multiple intelligences and emotional intelligence is said to be the ability to understand and manage your own emotions and those of the people you work with and manage and so achieve better business performance. It is suggested that IQ is insufficient for effective management, indeed too much IQ and too little EQ can lead to poor management behaviour and low business performance. Goleman developed the notion of emotional intelligence competencies: self awareness, self management, social awareness, and social skills. With these managers are more likely to have self confidence, a more realistic awareness of employee characteristics and needs, recover more quickly from stress, manage stress better, develop self control, become more sensitive and empathetic, negotiate and lead with a more emotionally stable behaviour. The idea that ‘soft is hard’ for the practice of effective management. Consider the tasks and situations a business manager needs to manage and the value of a measure of emotional intelligence may seem obvious.

- evaluative comment on the significance of EQ to effective managers [9–12]
- analysis of the suggested value of a high level of EQ to managers [7–8]
- good discussion of EQ and its suggested value to managers [3–6]
- shows limited understanding of EQ and a suggested link to managers. [1–2]

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6 Answers might initially define capital and labour intensive production processes: capital intensive involves a high quantity of capital equipment and mechanisation while labour intensive involves a high level of labour input to the production process. These are alternative approaches and senior managers must decide what combination of factors of production they will use.
Among the factors to be considered are the following: the nature of the product, the product image that the business wants to establish, the relative prices/cost of the two inputs (if labour costs are high and rising the use of capital might become economically justifiable), the size of the business and its ability to afford expensive capital equipment, the state of technological innovation and the decisions of competitors to modernise or change their production processes.
Labour intensive methods of production might be most appropriate for a hand built reproduction furniture business where consumers are prepared to pay a premium for a distinctive product, whereas mass produced items are supplied from a capital intensive process. In general terms job production items tend to be labour intensive and flow production items tend to be capital intensive.

- evaluative discussion of the factors determining alternative production processes [17–20]
- analysis of factors affecting the choice between capital and labour intensive production processes [13–16]
- good discussion of factors affecting the choice between capital and labour intensive production processes [11–12]
- some understanding of factors affecting the choice between capital and labour intensive production processes but with a limited number of examples or issues [5–10]
- very limited understanding of capital and labour intensive methods of production. [1–4]

7 **(a)** Answers may well initially define market research: the collection, recording and analysis of data about customers, competitors and markets. The question is about WHY spend money on market research NOT how.
The reasons why businesses spend lots of money on MR could include the following: to provide important information for business decisions relating to issues and questions such as: will customers buy this new product or service, what will the reaction be to proposed price changes of our products, what will be the reaction to different forms of product promotion, packaging, distribution channels? MR might reduce risks associated with product launches, might predict future demand changes, explain existing patterns of sales and market trends, reveal perceived strengths and weaknesses of products and services. The provision of information that might assist in an evaluation of current and future marketing strategies.

- analysis of reasons for market research expenditure [7–8]
- good explanation of reasons for market research expenditure [5–6]
- limited explanation of reason(s) for market research expenditure [3–4]
- little understanding of reason(s) for market research expenditure. [1–2]

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(b) The Internet is increasingly seen as an effective method of collecting market research information. Visitors to sites can be asked to complete electronic questionnaires often with incentives offered and data can be collected when visitors sign up for membership. Online marketing research has grown considerably in recent times with surveys, and online focus groups providing primary data. Web research has proven to have several advantages over offline surveys and focus groups, the most obvious being speed and low cost of execution. It is relatively low in cost in the sense that participants from all over the world can engage with a discussion with no travel or living expenses costs. Online surveys substantially reduce paper work, postage, phone charges, labour costs and printing expenses. Also speed of execution and response rate can be better as responses can be made in a person's own space and at their convenience. Once completed, results are available to researchers immediately, can use graphics and visual aids. There are however some disadvantages: restricted Internet access may make it difficult to get responses from a broad cross section of a society, rural marketing campaigns may be difficult, access to products orientated for example to young children e.g. 4 to 10 years, there may also be a problem controlling who is in the sample, the researcher is not able to see the participant, how can you measure respondents expressiveness? (Technology may soon remove these limitations of course.) There is the privacy/ethics question, will researchers sell emails and responses to other parties, or open up respondents to unsolicited messages etc., it also needs knowledge of software to set up questionnaires and methods of processing data and requests may deter visitors from your website.

- some evaluative comment on the advantages and disadvantages of collecting market research data from the internet [9–12]
- analysis of advantages and disadvantages of collecting market research data from the internet [7–8]
- good discussion of advantages and disadvantages of collecting market research data from the internet [3–6]
- limited discussion of the Internet and market research. [1–2]

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