CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the October/November 2012 series

9707 BUSINESS STUDIES

9707/13 Paper 1 (Short Answer/Essay), maximum raw mark 40

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the October/November 2012 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.

CAMBRIDGE
International Examinations

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) A private limited company, usually a small or medium sized business owned by shareholders often from the same family – shares can only be sold privately (not to the general public), they have limited liability.

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

(b) Disadvantages could include: legal procedures and costs involved in the change, the loss of complete control over the business – now becomes answerable to other shareholders, no longer keeps all the profits, must now send end of year accounts to appropriate authorities, less secrecy over financial affairs, more interference likely in decisions relating to work practices, growth plans etc.

- partial explanation of ONE disadvantage or statement of TWO [1]
- full explanation of ONE disadvantage or partial explanation of TWO [2]
- full description of TWO disadvantages. [3]

2 (a) Supply is said to be the quantity of a product or service that is willing to be supplied by a business at a given price in a certain time period.

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

(b) Factors that could influence the price of rice are essentially demand and supply factors such as: the amount of land given over to rice production – supply availability and any factor that might affect that availability, the condition of the international rice harvest (again supply availability) – climatic effects on production levels, export restrictions by one country affect the price in other countries – rising/falling demand perhaps as consumer incomes rise in less developed countries, they may prefer to buy wheat and hence less rice.

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

© Cambridge International Examinations 2012

3 Successful businesses understand that these two financial concepts do not have the same meaning or importance for a business, especially for new businesses. It is common for profitable companies to run short of cash and for loss making companies to have high cash flows in the short term. Cash is inflows of revenue received from customers (debtors) or from a bank loan and outflows of cash paid to workers or suppliers. Profit is what remains from sales revenue after all business expenses are subtracted.
Cash (flow) is more important than profit for small businesses who may be making a profit but are unable to pay bills due to a negative cash flow.

- simple but accurate definition of EITHER cash or profit [1]
- simple but accurate definition of cash AND profit [2]
- clear and developed explanation of the two concepts that imply a clear distinction [3–4]
- clear and developed explanations of both concepts showing the distinction between them in a business context. [5]

4 **(a)** Employee participation defined as the ways in which workers can get involved in the organisation, or management, or decision-making of their business. It can take the form of a range of activities from worker directors to consultative procedures to suggestion schemes.

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

(b) The disadvantages of employee participation could include: it may be time consuming and thus slow down decision-making. Autocratic managers may find it difficult to accept…this may de-motivate workers who want it to work. Workers may focus too much on tactical issues rather than on important strategic matters.
The system may only be a PR exercise or a 'talking shop', trade unions may feel threatened. What about confidential issues, where will workers loyalty be – company or workforce?

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

© Cambridge International Examinations 2012

Section B

5 (a) Businesses now make greater use of technology in both the design and manufacture of products and, in the service sector, technology has improved the ability to handle and store data and has transformed business communication.
CAD is the use of computer technology to assist in the design of a product – CAD packages allow designers to produce two/three dimensional models of products using touch screens, light pens, etc. – virtual reality is constructed, use of scanners, digital cameras, enhanced the ability and possibilities of the design function. CAM uses computer software to assist in the manufacture of products, the process of using specialised computer systems to control, monitor, and adjust the tools and machinery used to manufacture, robotics and other forms of automation. (CAD and CAM can be interfaced with a potential to transform the manufacturing process, facilitating decisions about how to design and manufacture, how to make changes, and how to invest.)

- good explanation of the difference between CAM and CAD with some analysis of the business application of one or both [7–8]
- good explanation of the difference between CAM and CAD [5–6]
- some understanding of CAM and/or CAD [3–4]
- a little understanding of modern business technology. [1–2]

(b) The benefits could include: improvements in quality of design and manufacture, more standardised product quality, less room for human error, improved productivity, allowing for 24/7 production, no need for rest days or holidays, lower average costs (extra fixed cost more than compensated by reduction in operating costs), speedier development of new products, quicker process of product design and development, animation and virtual reality can conserve resources (time, materials, energy), lead to more customer choice, more flexible manufacturing, less lead time, less waste, higher finished quality.
The limitations might be: higher fixed costs, the high initial cost of installing and updating the new technology, major capital investment required, retraining costs as equipment is constantly updated to ensure that new technology is used effectively. Demotivation as automation can lead to skilled workers reduced to machinery operators leading to reduced levels of worker motivation – loss of jobs and the need to reorganise the work place and the working environment.

- evaluative comment on the benefits and drawbacks of using new technology (on balance good or bad?) [11–12]
- analysis of benefits and drawbacks of using new technology [8–10]
- sound understanding of benefits and drawbacks of using new technology [3–7]
- limited discussion of new technology. [1–2]

© Cambridge International Examinations 2012

6 Answers might initially recognise that financial rewards are considered to be very important as a means of motivating and satisfying workers. Theorists such as Taylor and the 'economic man' theory may well be described to support the significance of monetary reward as may be examples of specific financial rewards.
Candidates will likely suggest revisions to the 'economic man' theory and challenge the view that money is the "only" motivator to hard work by citing other theorists such as Maslow, Mayo, Herzberg, McClelland, and Vroom and their alternative theories that suggest that such factors as enjoyment, challenge, and recognition are very important.
Suggestions may well be made that workers have a variety of needs that can be met at work and that money is not likely to be the sole motivating force. It may also be work/organisation/person specific.

- evaluative discussion of factors that may motivate people to work hard [17–20]
- analysis of factors that may motivate people to work hard with sound references to appropriate theories and/or theorists [14–16]
- good understanding of factors that may motivate people to work hard with sound references to appropriate theories and/or theorists [11–13]
- more general discussion of motivation factors and theories [5–10]
- very limited understanding of motivation factors/theories. [1–4]

7 **(a)** Corporate objectives provide the context and provide the strategic vision and purpose for marketing planning and the setting of marketing objectives. Corporate objectives are determined by senior managers and reflect the mission statement of the organisation and are communicated to all departments. The marketing department set objectives that help the business achieve its overall corporate objectives. If the corporate objective is to maximise profit then marketing objectives may well focus on maximum sales at highest price possible. If corporate is focused on social responsibility as well as profit there may well be a social marketing approach. If a business wishes to expand internationally then marketing objectives will be different to those supporting a consolidation in the domestic market. If the corporate objective is to grow the business then supportive marketing objectives could include: increase market share, gain market leadership, rebrand a product, develop new markets. Marketing objectives must above all be based on company financial objectives.

- analysis of the link between corporate and marketing objectives [7–8]
- good explanation of the link between corporate and marketing objectives [5–6]
- limited explanation of the link between corporate and marketing objectives [3–4]
- little understanding of corporate/marketing objectives. [1–2]

© Cambridge International Examinations 2012

(b) Initially perhaps a definition of market segmentation – identifying different segments within a market and targeting different products or services to them, a customer focussed marketing strategy, the objectives of the hotel or company owning the hotel might seek to grow the business, increase its profitability, enhance the brand, increase the volume occupancy. Market segmentation could help by: identifying and targeting potential market segments such as business traffic during the week, leisure traffic at weekends, special event traffic, celebrations/weddings, conference traffic and so producing services that are specifically aimed at particular groups leading to increased sales or identifying gaps in the market not currently being exploited, can use price discrimination for example.

- some evaluative comment on how market segmentation might help the hotel to achieve its marketing objectives [11–12]
- analysis of how market segmentation might help the hotel to achieve its marketing objectives [8–10]
- good understanding of how market segmentation might help achieve the marketing objectives of a business [3–7]
- limited understanding of market segmentation/marketing objectives. [1–2]

© Cambridge International Examinations 2012