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 2012**

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 BizBank (BB)

Five senior managers of Family Bank are planning to leave the bank. They are worried that Family Bank focuses more on shareholder dividends than on the needs of the customers and the community. The five people consider themselves as entrepreneurs without futures at Family Bank but have ideas to start their own bank. They believe that between them they have the skills to make a success of a new bank. They aim to run the new bank as a social enterprise as well as make a profit. The bank will be a co-operative owned by the five people and by customers.

The new bank will be called BizBank (BB). It will operate with a narrower customer base than most other banks. BB will lend to small and medium sized enterprises in need of financial support which is unavailable from other banks. BB will encourage savers (often older people) to save with BB by offering both competitive interest rates and by involving them in the decisions about which businesses BB will lend to. BB will categorise each potential borrower in terms of risk and ability to repay the loan.

BB will:

- set up and monitor all loans and payments
- chase unpaid or late payments
- maintain records and provide information to customers
- charge a small joining fee to both savers and borrowers and a fee to borrowers on each loan.

BB will need to recruit 40 people including professional staff, general office staff, specialist information technology (IT) staff and unskilled workers.

BB will need to find suitable premises. There will need to be a very large investment in IT and telecommunications equipment. In addition to wages and rents, operating costs would include services (such as insurance and accountants) and utilities (such as electricity).

Hassan is one of the five managers. He is responsible for planning. Year 1 will be for setting the business up and it will operate fully in year 2. Hassan estimates that in year 1 it will take:

- 3 months for legally setting up the company, gaining a banking licence, finding premises and raising finance
- a further 3 months to recruit the necessary staff
- a further 3 months to get the IT systems working satisfactorily
- a further 3 months to build up a customer base.

For year 2 Hassan has made the forecasts shown in Table 1.

Table 1: Forecast financial information, year 2 ($m)

Revenue	200
Rents	40
Fixed assets	100
Operating costs	20
Other costs	10
Current assets	5

(a) Explain the following terms:

(i) social enterprise (lines 5–6) [3]

(ii) co-operative (line 6). [3]

(b) **(i)** Calculate the forecast net profit for BB for year 2. Use Table 1 in your answer. [2]

(ii) Briefly explain why cash flow could be a problem in the first two years for BB even though the business seems profitable in year 2. [4]

(c) Analyse the recruitment difficulties that BB could experience in year 1. [8]

(d) Discuss the extent to which e-commerce could be important to BB. [10]

2 King Kites (KK)

KK produces a range of commercial kites. These kites are used for checking weather and pollution levels in the atmosphere. Commercial kites usually carry equipment for recording information for use by scientists on the ground. These kites are individually designed and manufactured using CAD (computer aided design).

The Research and Development team at KK have developed a recreational (fun) kite designed for mass (high volume) production for final consumers. The kites will be able to use new technology to send photographs down to the user. New technology will also give greater control over the kite. The new kites will be called Robokites.

KK has done primary research into the recreational kite market. The Marketing Director wants to present the following results from the research.

Table 2: Important features of a kite in the recreational kite market (number of responses from final consumers)

	Important	unimportant	don't know
Cost	26	3	1
Performance	30	0	0
Colour	15	5	10
Ease of use	18	2	10
Strength	12	11	7

KK's employees are highly skilled and well motivated. This has enabled KK's managers to use a laissez faire style of leadership. Producing Robokites will need the following changes in operations at KK.

- Greater co-operation between the design, production and marketing departments.
- Each designer will have less opportunity for individual design.
- More automation will be involved.

(a) Explain the following terms:

(i) CAD (computer aided design) (line 4) [3]

(ii) primary research (line 9). [3]

(b) **(i)** Briefly explain **one** sampling method appropriate for the primary research. [2]

(ii) Briefly analyse the benefits of presenting the information in Table 2 as a graph/chart. [4]

(c) Analyse the factors that could influence the leadership style used by KK's managers if they decide to make Robokites. [8]

(d) Evaluate a suitable marketing mix that KK could use to launch Robokites. [10]

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