CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the October/November 2013 series

9707 BUSINESS STUDIES

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

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1 (a) Price discrimination can be defined as: the charging of different groups of consumers different prices for the same product/service.

- Partial definition given [1]
- Full definition given [2]

(b) e.g. airlines.

Conditions necessary for price discrimination could include:
it is possible to apply different rates for the same product/service – e.g. different groups of customers.
it is not possible for groups of consumers to re-sell products/services between them.
the elasticity of demand for the product/service needs to be different with a relatively high price for those with a more price inelastic demand.

- Partial explanation of **one** condition or a list of **two**. [1]
- Sound explanation of **one** condition or partial explanation of **two**. [2]
- Sound explanation of **two** conditions. [3]

2 (a) The 'private sector' is defined as businesses owned and controlled by individuals or groups of individuals not by the state/government (and managed for profit).

Accept responses that are not restricted to a definition of a private sector business or organisation and discuss concepts such as the price mechanism and the role of the market.

- Partial definition. [1]
- Sound definition. [2]

(b) Characteristics of public sector enterprises may include:
Owned/controlled by the government.
Profit is not likely to be a major objective.
Social objectives are a priority.
May be loss-making or subsidised.
Finance comes mainly from government/state.
May be monopoly/critical services.
May be subject to direct political interference.
Produce merit goods.

- Partial explanation of **one** characteristic or a list of **two**. [1]
- Sound explanation of **one** characteristic or partial explanation of **two**. [2]
- Sound explanation of **two** characteristics. [3]

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3 The benefits/advantages of team-working are often assumed to have no limitations. However, some disadvantages are said to exist:

Not everyone is a team player – some like to work alone – may become marginalised.
Effective team working may require training and development support.
'Team values' can become very strong and form opposition to other team values, or organisational values (divisive).
Team training may be costly or disruptive to an organisation.
Team membership and changes in membership may become problematic.
Individuals take advantage of team and make little contribution.
May delay decision-making.
Can lead to conflict between team members with different views.

- Limited reference to team working. [1]
- Some identification/explanation of possible team working disadvantages. [2–3]
- Sound explanation of disadvantages of team working. [4–5]

4 **(a)** Intellectual capital is the collective knowledge of individuals in an organisation or society – an intangible asset – an organisation's processes, technologies, patents, employee skills, information about customers and stakeholders.

- Partial definition given. [1]
- Sound definition given. [2]

(b) This knowledge, experience, professional skills, relationships, networks can be a source of value or profit.

Adds to the Goodwill on the balance sheet (statement of financial position).
It can be a source of distinctive competitive advantage as it is applied to other more tangible resources – land, labour, capital.
It provides an extra capability that other organisations may not have.
Software industry illustrates how a business can be based almost entirely on the power of intellectual assets.
It needs to be recognised, harnessed and exploited.
It has the seeds of self-renewal – new discovery, new inventions.
Distinctive branding can be seen as the application of intellectual capital.

- Very limited attempt to apply the concept. [1]
- Sound understanding of the potential value of intellectual capital but with limited explanation. [2]
- Sound understanding with developed explanation. [3]

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5 (a) Cash flow forecasts.
Identifies sources and amounts of cash coming into a business.
Identifies destinations and amounts of cash going out of a business.
Usually done for a year or quarter in advance.
Allows the prediction of peaks and troughs in cash balances.
Helps to plan how much and when to borrow.
Banks require cash flow forecasts before considering a loan.
All these factors are important for new businesses who may well encounter cash flow problems.
New business planning requires cash flow forecasts to help identify future problems, inspire confidence in lenders, help obtain funding and help new businesses to survive in the short term.

- Analysis of importance of cash flow forecasts to new businesses. [7–8]
- Good explanation of importance of cash flow forecasts to new businesses. [5–6]
- Limited explanation of importance of cash flow forecasts. [3–4]
- Little understanding of cash flow forecasts. [1–2]

(b) The reasons for cash flow problems may include:
Lack of financial planning (e.g. no cash flow forecasts).
Poor credit control – bad debts will increase.
Too generous trade credit.
Unexpected cost increases.
Unexpected dip in customer demand.
Incorrect forecasts.
Expansion too fast.

Possible solutions to cash flow problems:
Essentially, more cash inflows –
overdraft/short-term loans.
sale of assets.
sale and leaseback of assets.
reduce credit terms.
debt factoring.
Essentially, less cash outflows –
delay payments to suppliers.
delay spending on capital equipment.
use leasing of capital equipment.
cut overhead expenses (e.g. promotion costs).

- Evaluative comment on causes and solutions for cash flow problems. [9–12]
- Analysis of causes and solutions for cash flow problems. [7–8]
- Discussion of causes and solutions for cash flow problems. [3–6]
- Limited understanding of cash flow problems. [1–2]

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6 The most important factors affecting the location decision are likely to include:

A recognition that this is a long-term, strategic, optimal decision.
Location should sustain long-term profitability.
Location should have flexibility to expand and grow.
Specific factors might include:
- site, building, fitting costs
- labour costs
- transport costs/facilities
- sales revenue possibilities
- availability of government grants
- cultural features of alternative locations
- environmental issues
- quality of infrastructure
- site of competition

Decisions likely to be a set of compromises – an optional solution is not always clear cut – level of risk.
Optimal location decisions can be affected by cost and other factors changing over time.

- Evaluative comment on the complexity of location decision, in context. [17–20]
- Analysis of a range of relevant location factors that are important for location decisions, in context. [13–16]
- Good discussion of a range of relevant location factors that are important for location decisions. [11–12]
- Some understanding of relevant location factors that are important for location decisions. [5–10]
- Very limited understanding of relevant location decisions. [1–4]

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7 (a) Herzberg 'two factor theory'
'Hygiene factor' is related to aspect of a worker's job that may have the potential to give dissatisfaction.
Pay, working conditions, status, type of supervision – these are seen as lower order needs.
The extrinsic factors that surround a job – these need to be addressed by management in order to remove dissatisfaction.
But if hygiene factors are OK, they would not, by themselves, lead to motivated workers.
A second set of factors – motivators need to be addressed.
These are the intrinsic factors – achievement, recognition, work itself, responsibility and advancement.
To motivate, you focus on these higher order needs, e.g. job enrichment.

So, to remove dissatisfaction, focus on the job environment – to increase motivation, focus on the job itself.

NB. An acceptable alternative approach would to discuss Herzberg's hygiene factors and **then** general 'motivating factors'

- Analysis of hygiene factors and general 'motivating factors'. [7–8]
- Good explanation of hygiene factors and general 'motivating factors'. [5–6]
- Limited explanation of hygiene factors and general 'motivating factors'. [3–4]
- Little understanding of hygiene factors and general 'motivating factors'. [1–2]

(b) The discussion will likely include the following:
Reference to Maslow's hierarchy of human needs.
these needs can be satisfied at work.
lower and higher order needs.
some general concerns about this theory, e.g. money is important for lower order needs but can play a role in satisfying higher order needs, e.g. status and esteem.
specific concerns – do workers work in fast food restaurants to satisfy higher order needs?
Application of the hierarchy to the context is expected.
Reference to Herzberg and his 'two-factor theory'.
'extrinsic factors' more likely to be significant in the context of a fast food restaurant?
how significant are 'motivators'?
opportunity for team work and job enrichment may exist in a fast food restaurant so 'motivators' may be important.

- Evaluative comment on the relevance of one or both of these theorists to the context of a fast food restaurant. [9–12]
- Analysis of the relevance of these motivational theories in context. [7–8]
- Discussion of the relevance of these motivational theories. [3–6]
- Limited understanding of the relevance of motivational theories. [1–2]

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