CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the October/November 2013 series

9707 BUSINESS STUDIES

9707/22 Paper 2 (Data Response), maximum raw mark 60

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 2013 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.

CAMBRIDGE
International Examinations

1 Fizzy Drinks (FD)

(a) Explain the following terms:

(i) private limited company [3]

Content:
An incorporated business that is owned by private shareholders who have limited liability. It is unable to sell shares to the general public or trade them on stock markets. Often smaller, family OWNED. Cheap to set up c.f. PLC.

Level 2: Good explanation (2–3 marks)
Level 1: Partial explanation/understanding (1 mark)

(ii) non-current assets. [3]

Content:
Also known as fixed assets. Assets that are purchased for long term use (more than 1 year). Not likely to be converted quickly into cash. Examples include land, buildings, equipment.

Level 2: Good explanation (2–3 marks)
Level 1: Partial explanation/understanding (1 mark)

(b) (i) Refer to Table 2. Calculate the acid test ratio. [3]

ATR = (CA – stocks)/CL
= ($350k – $75k)/£200k – 1.38:1 (no units) Allow rounding e.g. 1.4, 1.37

Correct answer (3 marks)
Right method but mistakes, or $s etc. (2 marks)
Attempt (e.g. formula or identifies data) (1 mark)

(ii) Explain <u>one</u> advantage to FD from setting an objective such as 'increase profit before tax by 20%'. [3]

Objectives give FD something to aim for: e.g. motivates employees. A sense of focus for employees and directors. For example this objective means cutting costs or increasing sales revenue.
FD has increased profit by 20% so setting this objective may have helped – it certainly helps monitoring progress.
Context needs some reference to situation facing FD.
ARA.

Knowledge and Application	
Level 2: Shows understanding of objectives in context of the business.	(2–3 marks)
Level 1: Shows knowledge/understanding of objectives.	(1 mark)

© Cambridge International Examinations 2013

(c) Analyse the disadvantages to FD if it changes to a public limited company. [8]

Context likely to come from:

- FD needs to raise $2m. This could be aided by a flotation
- Flotation is costly – does this help raise the finance?
- It is currently family owned. Family have ownership and control which they can lose if they become PLC.
- As a family owned business they need not worry about takeovers, share price. They will lose this if they change.

Disadvantages could include:

- Costs of conversion, time taken
- Need to pay dividends to satisfy external shareholders
- Now accountable to the public shareholders

ARA

Knowledge and Application	Analysis
Level 2: Shows understanding of public limited company/disadvantages of changing in context of the business. (3–4 marks)	Level 2: Good analysis of disadvantages in context. (3–4 marks)
Level 1: Shows understanding of public limited company/disadvantages of changing. (1–2 marks)	Level 1: Limited analysis of disadvantages. (1–2 marks)

No context: Marks limited to 2 + 2 = 4
Weak analysis in context: Marks limited to 4 + 2 = 6
Analysis of only 1 disadvantage in context: Marks limited to 3 + 3 = 6

© Cambridge International Examinations 2013

(d) Discuss whether FD should change to flow production method. [10]

Context/issues likely to come from:

- Move away from batch production will cut costs
- Profits already increasing so change will help them boost even more
- Impact on employees: boring work, standardised product, possible redundancies, will unions take action?
- Fourth factory likely – so demand is there to sustain flow production, important because large orders expected
- How long will it take to complete change? Will it disrupt production? How can FD manage this especially with large orders?
- Finance required. How? What sources? Would this mean changing to PLC?

Evaluation likely to come from a justified recommendation. Limited evaluation could also come from justifying which are the most important factors in the decision.

ARA

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of flow production/changing in context of the business. (3–4 marks)	Level 2: Evaluation/recommendation of change to flow in context. (3–6 marks)
Level 1: Shows knowledge of flow production/changing. (1–2 marks)	Level 1: Limited analysis of changing to flow production. (1–2 marks)

A one sided analysis + recommendation: limits marks to 3 + 3 = 6
No context: maximum 2 + 2 = 4 marks
Weak analysis in context: max 4 + 2 = 6 marks
No recommendation: marks limited to 4 + 4

© Cambridge International Examinations 2013

2 School Sports Shop (SSS)

(a) Explain the following terms:

(i) target market [3]

Content:
This is a specific group of customers to which a business has decided to sell its products or services. A target market can be defined according to age, gender, income, taste, location etc. Allows businesses to develop products/services to meet the needs of this specific group. Examples help.

Level 2: Good explanation (2–3 marks)
Level 1: Partial explanation/understanding (1 mark)

(ii) entrepreneurs. [3]

Content:
People who take risks to start up new businesses. They usually do so in order to take the reward from the enterprise (profit). Usually have an idea and launch it in the market place. They are good at identifying gaps/new opportunities. Example useful.

Level 2: Good explanation (2–3 marks)
Level 1: Partial explanation/understanding (1 mark)

(b) (i) Paula plans to add 20% to the unit cost of each item in order to calculate the selling price. Using Table 3, calculate the selling price for a sports jacket. [2]

Sports jacket is $35 × 1.2 = $42

Correct answer (2 marks)
Attempt by identifying appropriate data or formula (1 mark)

(ii) Using your answer from (b)(i), explain <u>two</u> disadvantages to SSS of using cost-based pricing. [4]

Context/issues:
- The case makes it clear that because there are no bulk-buying discounts the jackets might be more expensive than competitors'
- This is a school based business, students and parents likely to have limited budget so a high price could limit sales
- Is it sensible to add 20% to all products?
- Cost plus ignores market realities

Knowledge and Application
Level 2: Shows understanding of disadvantages of cost-plus in the context of the business. (2–3 marks)
Level 1: Shows knowledge/understanding of cost-plus – simple statements. (1 mark)

One disadvantage limits marks to 3.

© Cambridge International Examinations 2013

(c) Analyse the advantages to SSS of being a social enterprise. [8]

Context likely to come from:

- A school-based business with any profit re-invested back into the school so students/pupils will benefit (social aspect of triple bottom line)
- Encouraging entrepreneurship with students running their own businesses may have long term benefits if students continue being entrepreneurs after they leave education (social and economic)
- Will give the business more chance of success (students, teachers, parents more likely to purchase from SSS).

Advantages:

- Increased chance of success
- Giving back by reinvesting in school
- Reputation, image may lead to more sales.

ARA

Analysis from developing the issues

Knowledge and Application	Analysis
Level 2: Shows understanding of social enterprise in the context of the business. (3–4 marks)	Level 2: Good analysis in context. (3–4 marks)
Level 1: Shows understanding of social enterprise. (1–2 marks)	Level 1: Limited analysis of social enterprise. (1–2 marks)

No context: Marks limited to 2 + 2 = 4
Weak analysis in context: Marks limited to 4 + 2 = 6
Analysis of only 1 advantage in context: Marks limited to 3 + 3 = 6

© Cambridge International Examinations 2013

(d) Discuss suitable methods that Diwan could use to promote SSS. [10]

Context likely to come from:
- Limited budget of $500
- Very specific target audience of parents, teachers, students which limits need for 'above the line'.

Areas that could be explored include:
- Using assemblies
- Staff meetings
- Leaflets, emails, social networking for parents
- Word of mouth
- Banners and notices around the school

Unsuitable are high cost, mass marketing methods such as national TV, radio, newspapers etc.

ARA

Evaluation likely to come from justifying which methods are the most important/best or which should be done first.

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of promotional methods in the context of the business. (3–4 marks)	Level 2: Evaluation of method(s) in context. (3–6 marks)
Level 1: Shows understanding of promotional methods. (1–2 marks)	Level 1: Limited analysis of method(s). (1–2 marks)

No context: Marks limited to 2 + 2 = 4
Weak analysis in context: Marks limited to 4 + 2 = 6
Evaluation of only 1 method in context: Marks limited to 3 + 3 = 6
Lack of justification: Limits marks to 4 + 4 = 8

© Cambridge International Examinations 2013