CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the October/November 2013 series

9707 BUSINESS STUDIES

9707/23 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.

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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.

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1 (a) Explain the following terms:

(i) public limited company [3]

Content: An incorporated business that is owned by public shareholders who have limited liability. It is able to sell shares to the general public and trade them on stock markets. Often large organisations. Expensive to set up.

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

(ii) marketing. [3]

Content: A function within a business that identifies and satisfies customer needs to assist the business in making a profit. Marketing involves the main elements of the marketing mix (usually) price, product, place, promotion – accept variants. Reference to 4Cs also acceptable. 'Getting the right product to the right customer at the right price'.

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

(b) (i) Refer to Table 1. Calculate the gross profit margin of CC. [3]

GPM = GP/revenue × 100
= $2850/7000 × 100 = 40.7% (accept rounding)

Correct answer **3 marks**
Right method but mistakes, or no % etc. **2 marks**
Attempt (e.g. formula or identifies data) **1 mark**

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(ii) Last year CC's gross profit margin was 63%. Using your answer to (b)(i), comment on the trend in the gross profit margin. [3]

- Decreased from 63% to 40.7% (OFR).
- Likely to be due to a 10% decrease in sales due to ethical shift in customers' tastes.

ARA

Knowledge and Application	
Level 2: Shows understanding of trend in GPM in context of the business	(2–3 marks)
Level 1: Shows knowledge/understanding of GPM, simple statements	(1 mark)

Must use **(b)(i)** for 3 marks.

(c) Analyse the usefulness of the financial accounts to <u>two</u> of CC's stakeholders. [8]

Context/issues likely to come from:

- Director – look for trends, ratios, identify problems e.g. fall in GPM.
- Consumer groups – look at profits being made and using them to highlight their cause i.e. the profit of over $1m on top of being unethical.
- Shareholders – will be keen to see the profit after tax that is used to pay their dividends – they want a good return.
- Employees/unions – may use information to help with their wage demands.
- But historical, window dressing, may reduce usefulness.

For maximum marks candidates need to look at two stakeholders and positives/negatives

ARA

Knowledge and Application	Analysis
Level 2: Shows understanding of financial accounts/usefulness in context of the business (3–4 marks)	Level 2: Good analysis of usefulness in context (3–4 marks)
Level 1: Shows understanding of financial accounts (1–2 marks)	Level 1: Limited analysis of usefulness (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 stakeholder in context: Marks limited to 3 + 3 = 6

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(d) Discuss the factors that CC should consider in making a decision on whether or not to become a more ethical business. [10]

Context/issues likely to come from:

- Decreasing sales last year of 20% and a GPM that has drastically fallen – main reason according to Alan is one of image. Therefore need to change.
- How easily can the business switch to more ethical production (such as?). There are clear references to recruitment issues, can they access workers?
- How easy would change be?
- How can CC market a new image? Will it seem cynical?
- How long will it take to change ingredients? Will it affect taste? Can they be sourced easily?
- What are the costs of becoming ethical?
- What are the consequences of staying as it is?

Evaluation likely to come from a justified view on what are the most important factor(s). Evaluation could also come from a recommendation for change.

ARA

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of ethics/ factors in context of the business (3–4 marks)	Level 2: Evaluation of factors in context (3–6 marks)
Level 1: Shows knowledge of ethics (1–2 marks)	Level 1: Limited analysis of factors involved in becoming more ethical (1–2 marks)

One factor + evaluation: limits marks to 3 + 3 = 6
No context: maximum 2 + 2 = 4 marks
Weak analysis in context: max 4 + 2 = 6 marks

No effective evaluation: marks limited to 4 + 4

2 (a) Explain the following terms:

(i) niche market [3]

Content: This is a specialised sector of the market desiring specific products/services. Tends to be a very specific target market such as the wealthy. Examples help e.g. luxury cars.

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

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(ii) contract of employment. [3]

Content: Legal document drawn up by an employer and issued to an employee. Typically contains important information about the requirements of the job/employee as well as employer's responsibility. Usually contains hours of work, pay details, grievance procedures (N.B. but may vary from country to country).

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

(b) (i) Calculate the value of X in Table 3. [2]

Annual Revenue = $60 × 300 × 12 = $216000

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

(ii) Explain how George might use the concept of price elasticity of demand in deciding whether or not to increase GG's membership fee. [4]

Context/issues:
- Is demand relatively inelastic? Price increases may be possible – price increase would increase revenues (but not necessarily profits).
- Is demand relatively elastic? Price reductions may increase revenues.
- Loyalty of customers may affect elasticity.
- The case makes clear that a new competitor gym is opening. Will this impact on elasticity?
- Will changing product affect elasticity – if new pool may reduce elasticity.
- Can only use elasticity if other factors are considered.
- Useful concept, limited practical value as other factors important.

Knowledge and Application	
Level 2: Shows understanding of elasticity in the context of the business	(3–4 marks)
Level 1: Shows understanding of elasticity – simple statements	(1–2 marks)

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(c) Analyse the disadvantages to GG of a high labour turnover of personal trainers. [8]

Context/disadvantages likely to come from:

- Failure of staff to build relationships with clients – could damage GG's reputation, especially with a new competitor arriving soon.
- Costs of recruitment, selection, training can increase – GG is a sole trader so limited finance.
- GG is looking to expand so stability is important.
- Customers are signing up for additional keep fit classes – won't work if not enough staff.

ARA
Analysis from developing the issues

Knowledge and Application	**Analysis**
Level 2: Shows understanding of labour turnover in the context of the business (3–4 marks)	Level 2: Good analysis in context (3–4 marks)
Level 1: Shows understanding of labour turnover (1–2 marks)	Level 1: Limited analysis of disadvantages of high labour turnover (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

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(d) Discuss sources of finance that GG might use to pay for the swimming pool. [10]

Context likely to come from:
- Sole trader so owner's sources limited unless takes on a partner or incorporates.
- Rising sales could be positive sign to an investor – profit has quadrupled. Retained profits?
- But is this growth assured for future, especially with new competitor.
- George has assets that can be used as security.

Sources that might be used:
- Loans/mortgages (long term commitment, what are interest rates? Current financial situation?). He has no mortgage at present so may seem attractive without too much risk (N.B. gearing is not an AS topic).
- Private investor/partner. How would George react sharing profits, decision making, authority? What share of profits would they want? How much could they put in?
- Grants – any available?
- Short term unsuitable (overdrafts, debt factoring, changing credit terms).
- Sell assets? Any suitable – no point selling assets that are not used.
- Is incorporation a possibility? If not, can't sell shares.

ARA
Evaluation likely to come from justifying which source(s) are the most important/best.

Knowledge and Application	**Analysis and Evaluation**
Level 2: Shows understanding of sources of finance in the context of the business (3–4 marks)	Level 2: Evaluation of sources in context (3–6 marks)
Level 1: Shows understanding of source of finance (1–2 marks)	Level 1: Limited analysis of source (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 source in context: Marks limited to 3 + 3 = 6
Lack of effective evaluation: Limits marks to 4 + 4 = 8

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