CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International Advanced Subsidiary and Advanced Level

MARK SCHEME for the October/November 2014 series

9707 BUSINESS STUDIES

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

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1 (a) Explain the following terms:

(i) revenue (line 5). [3]

The total value of sales made by a business. (1)
Calculated by units sold × selling price. (1)

Additional mark for another element such as:
- Example of Business objective e.g. maximizing revenue can be a business objective
- Revenue can be cash or credit
- Increasing revenue usually helps to increase profits.

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

(ii) disciplinary procedures (line 17). [3]

This is a policy which has a step by step process that a line manager/employer/business should follow when dealing with any discipline issues with an employee. (1)
For example, rudeness, frequently turning up late to work, theft. (1)

Additional mark for another element such as:
Consequences such as:
- Verbal warning
- Written warning
- Dismissal.

Ensures that all employees are treated fairly and provides a framework for managers.

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

(b) (i) Using Table 1, calculate the value of gross profit for Bakery Y in September. [3]

GPM = GP/Revenue*100
X (GP)/12 000*100 = 24%
X = $2880

3 marks – correct answer
2 marks – right method (applies GPM formula but mistake or no $)
1 mark – attempt by using appropriate figures or identification of formula.

(ii) Explain <u>one</u> way that Bakery Y could increase its gross profit margin. [3]

- There are 3 problems at the Bakery, so improving customer service, inventory control and quality
- Training for Sarah (or carefully managing her performance) would also be acceptable approaches.

Knowledge and Application	
Application: Shows understanding of a possible reason in contact.	(2–3 marks)
Knowledge: Simple statements in relation to increasing sales.	(1 mark)

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(c) Analyse the advantages and disadvantages to BB of using batch production. [8]

Context/content likely to come from:
- Inventory of finished products varies – implies some over and under production;
- Sarah not managing the batch production process effectively, for example, running out of bread;
- This is a bakery – has a wide product range of bread and cakes so will need batch production to cope with volume.

Advantages:
- Good for a bakery shop where it needs to produce a variety of products (one batch after the other) helps keep costs down which is important given issues in Bakery Y
- Helps improve quality as standardised production for each batch (again an issue for Bakery Y).

Disadvantages:
- Difficulty in forecasting demand can lead to over/under production as is the case here
- Stock issues – a bakery so can lead to high wastage
- ARA.

Knowledge and Application	Analysis
Level 2 – Application Shows understanding of batch production in context. (3–4 marks)	**Level 2 – Good Analysis** Analysis of advantages and/or disadvantages of batch production in context. (3–4 marks)
Level 1 – Knowledge Shows knowledge of production methods. (1–2 marks)	**Level 1 – Limited Analysis** Analysis of advantages and/or disadvantages of using batch production. (1–2 marks)

Limited analysis in context: Marks limited to 4+2=6
If candidate has only used advantages or disadvantages in context 3+3=6

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(d) Evaluate the use of performance related pay to reward BB's bakery managers. [10]

Context/issues likely to come from:
- Fact that the PRP is working generally with 5 bakeries and is doing well
- PRP is having a very positive impact on Helen who manages Bakery X – targets are regularly beaten and her bonus is significantly higher than the average
- Encourages positive dialogues between Paul and the managers – this helps improve the overall performance of the partnership
- Will allow Paul to set tight targets for Sarah to reach, if she doesn't meet her targets then she will not get a bonus
- Disadvantages – costs of the scheme (bonuses), can demotivate staff if the targets are not realistic (SMART), has Sarah had correct training/feedback to enable her to improve her performance?
- ARA.

Knowledge and Application	Analysis and Evaluation
Level 2 – Application Shows understanding of prp in context. (3–4 marks)	**Level 2 – Evaluation** Evaluation of prp in context. (3–6 marks)
Level 1 – Knowledge Shows understanding of prp. (1–2 marks)	**Level 1 – Analysis** Analysis of prp. (1–2 marks)

2 (a) Explain the following terms:

(i) emotional intelligence (line 4) [3]

Dealing with emotions/feelings. (1)
This is the ability of a manager to manage their own and other's emotions (1). A style of leadership. (1)

Additional mark for an element such as:
- So they can interact effectively in order to achieve the goal of a business.
- Part of Goleman; self-awareness, self-management, relationship management and social awareness.
- Example.

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

(ii) cash flow (line 19) [3]

Inflow/outflow (1)
Net cashflow (1)

Additional mark for another element such as:
- Needed by businesses to ensure they do not go into liquidation.
- Cash flow usually shown in a cash flow forecast.
- Running of out of cash flow is usually why many new businesses fail.

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

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(b) (i) Using the information in Table 2, calculate the percentage difference between the total actual donations and total target donations. [2]

[74 – 88]/88 = –15.9%
Accept: –15.9% or –16% or +15.9% or +16%
[88 – 74]/74 = 18.9% (or 19%)

2 marks – right answer
1 mark – attempt by using appropriate figures i.e. 88-74, or not working out % difference i.e. 84.1%

(ii) Explain two possible reasons why the donations from businesses for HTC are below target. [4]

Context/Issues:

- Hint that unemployment was higher – may mean businesses unable to afford donations
- HTC may not have been as successful as other charities in "reaching" businesses and persuading them to donate
- Economic forecasts may be bleak, meaning businesses are unwilling to donate
- Tax laws may have changed giving less/no credit for charitable donations
- Other charities may have been more successful in targeting businesses
- HTC have no experience in targeting business and therefore may not have been very good at it
- Inaction on HTC's part
- HTC may not have set an achievable target – evidenced by not hitting target in any month

- Sole traders could be individuals and businesses, so allow reference to individuals in answer.
- ARA.

Knowledge and Application	
Level 2 – Application Shows understanding of reasons in contact.	(3–4 marks)
Level 1 – Knowledge Simple statements in relation to reasons.	(1–2 marks)

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(c) Analyse the benefits to HTC of having clear business objectives. [8]

Context/Benefits likely to come from:

- Provides direction for HTC – they started small, have been successful and now have moved to national large scale projects. Objectives help Aziz and the other manages know what HTC is trying to achieve
- Help HTC plan – for example, now raising finance for businesses to support new wider objectives such as large scale projects
- Allows HTC to review their success against the set objectives, for example have they reached a specific fund raising amount?
- This is a charity – having clear objectives communicates effectively to stakeholders what HTC is trying to do and so can help persuade individuals and businesses to donate to HTC's cause
- ARA.

Knowledge and Application	Analysis
Level 2 – Application Shows understanding of business objectives in context. (3–4 marks)	**Level 2 – Evaluation** Analysis of benefits of having clear business objectives in context. (3–4 marks)
Level 1 – Knowledge Shows knowledge of business objectives. (1–2 marks)	**Level 1 – Analysis** Analysis of benefits of having clear business objectives. (1–2 marks)

Limited analysis in context: Marks limited to 4+2=6
One benefit in context max marks 3+3=6

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(d) Evaluate the usefulness to HTC of carrying out market research before developing a campaign to raise funds to build a new children's hospital. [10]

Context/Issues likely to come from:

- Fact that donations from businesses has fallen – does this mean that there has been a lack of awareness?
- Unemployment is falling and possibly more people aware of and supportive of charities – HTC need to "tap" into this new development
- To raise awareness of HTC
- Competition with other charities
- To inform fundraising activities for the children's hospital
- HTC needing specialist outcomes from the report from the agency – they will have ability and contacts to access businesses
- Improved quality of research outcomes
- Speed at which the research can be carried out
- Experience of the agency in conducting research – more reliable results upon which to base the new campaign
- Allows HTC to understand what the effects of changing economic conditions might be on potential donations
- It is possible that research might be a way of getting HTC more well-known (a form of promotion)
- Costs – is this valuable use of donations for the charity (depends whether the costs will be recovered from increased donations).

Knowledge and Application	Analysis and Evaluation
Level 2 – Application Shows understanding of market research in context. (3–4 marks)	**Level 2 – Evaluation** Evaluation of usefulness of market research in context. (3–6 marks)
Level 1 – Knowledge Shows knowledge of market research. (1–2 marks)	**Level 1 – Analysis** Analysis of usefulness of market research. (1–2 marks)

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