Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

BUSINESS STUDIES **9707/22**

Paper 2 Data Response **October/November 2014**

1 hour 30 minutes

No Additional Materials are required.

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READ THESE INSTRUCTIONS FIRST

An answer booklet is provided inside this question paper. You should follow the instructions on the front cover of the answer booklet. If you need additional answer paper ask the invigilator for a continuation booklet.

Answer **all** questions.
The businesses described in this paper are entirely fictitious.
The number of marks is given in brackets [ ] at the end of each question or part question.

This document consists of **3** printed pages, **1** blank page and **1** insert.

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1 Best Bakery (BB)

Paul and Tariq are in partnership together and they own 6 bakeries in different parts of the town. Each bakery is run by its own manager who leads a small team of employees. BB produces a large range of breads and cakes using both job and batch production.

At present, 5 of the bakeries are making a profit. Bakery X, managed by Helen, constantly exceeds its revenue and profit targets. This is mainly because Helen places a huge emphasis on quality and building a good relationship with customers. Paul and Tariq use a system of performance related pay for rewarding each of the managers. Last year, Helen received a bonus of $2000 compared to the average of $750.

Sarah manages Bakery Y and it is currently making a loss. Paul has been disappointed with Sarah's attitude and her performance. Table 1 shows the revenue and gross profit margin for Bakery Y in September.

Table 1: Revenue and gross profit margin for Bakery Y in September

Revenue	$12 000
Gross Profit Margin	24%

Sarah does not manage the batch production process effectively. As a result, inventory levels of finished products vary considerably. Sarah is frequently late for work and has a poor attendance record. Using BB's disciplinary procedures, Paul has set up a meeting with Sarah to discuss these issues. Paul has also recently done some market research with Bakery Y's customers and he established that:

- customers feel that the employees are unfriendly
- the quality of some of the products is poor
- the bakery runs out of some products, such as bread, by mid-morning.

(a) Explain the following terms:

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

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

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

(ii) Explain **one** way that Bakery Y could increase its gross profit margin. [3]

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

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

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2 Helping The Children (HTC)

HTC is a charity in country X. The purpose of HTC is to reduce childhood poverty. The charity is led by Aziz who is supported by a strong team of managers, employees and volunteers. Aziz is described by the people he works with as being a strong leader with a high level of emotional intelligence.

HTC's main business objectives have changed over time.

Original business objectives:

- small scale, local, short term projects, such as distributing food to local families
- financed by donations from individuals.

New business objectives:

- large scale, national, long term projects, such as building children's hospitals
- financed by donations from individuals **and** businesses.

Aziz has noted in Table 2 below that the total donations from businesses are less than the target set.

Table 2: Actual monthly and target donations ($000) for the last 6 months

	May	June	July	August	September	October	Total
Target	14	14	15	16	15	14	88
Actual	12	11	14	13	12	12	74

In country X unemployment is starting to fall. Businesses and individuals are expected to have the additional cash flow needed to support the work of charities. However, Aziz is also aware that several other charities are planning fundraising campaigns to achieve their own objectives.

In order to develop a new fundraising campaign for another children's hospital, Aziz has decided to use a specialist market research company to find information from businesses and individuals about:

- how they make decisions about which charities to support
- whether or not they are aware of HTC and the work that it does
- whether or not they would consider making regular monthly donations to HTC.

(a) Explain the following terms:

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

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

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

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

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

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

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