UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the May/June 2010 question paper

for the guidance of teachers

9707 BUSINESS STUDIES

9707/22 Paper 22 (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 must be read in conjunction with the question papers and the report on the examination.

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1 **Sassy Suits**

(a) Explain the following terms:

(i) batch production **[3]**

Content: Production system in which the system is set up for one type of product and once a batch is made, switches to another type of product. Suitable for businesses such as bakeries or fashion manufacturers. More efficient than job production and usually more flexible than flow production.

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

(ii) quality control **[3]**

Content: processes that try to ensure that products are of the standards acceptable to customers.

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

(b) (i) Calculate the net profit margin for SS in 2010. **[3]**

Gross profit = 100
Net profit 100 – 60 = 40
NPM = 40/160 × 100 = 25%

Correct answer: 3 marks
Right method with right data: 2 marks
Attempt: 1 mark

(ii) The net profit margin for SS in 2008 was 50% and for 2009 was 33%. Using Table 1 and your answer to part (i), briefly comment on the trend in net profit margin for SS. **[3]**

Steadily falling. Falling sales, Expenses constant, COGS not falling as much as sales.

ARA, OFR

Knowledge and Application	
Level 2: Shows understanding of NPM in context	(2–3 marks)
Level 1: Simple statement about NPM	(1 mark)

(c) Analyse the possible impact on SS's workforce of a change from job production.

- New (extra) staff
- Existing staff transfer to jobs requiring fewer skills
- New systems, roles

Difficulties arise with existing staff who will resist change. Will best of old (loyalty, family atmosphere) be maintained?

ARA

Knowledge and Application	Analysis
Level 2: Shows understanding of impact on workforce in context of the business (3–4 marks)	Level 2: Good analysis in context (3–4 marks)
Level 1: Shows understanding of impact on workforce of job/batch (1–2 marks)	Level 1: Analysis of impact (1–2 marks)

(d) Discuss the marketing issues that SS might consider if they decide to produce ready-made suits. [10]

Content could include:

Marketing budget

Price: what would shops be prepared to pay for wholesale prices?
What would the final customer be prepared to pay?
Costs?

Product: What designs?
What sizes?

Promotion:
Brand name? How to promote to shops? Do consumers need to be targeted?

Place: Wholesaler or direct to shops? NB Place is not location!

Evaluation is likely to come through prioritising issues.

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of marketing in context of the business (3–4 marks)	Level 2: Evaluation of issues in context (3–6 marks)
Level 1: Shows understanding of marketing (1–2 marks)	Level 1: Analysis of the marketing issues (1–2 marks)

2 Sheep Stew

(a) Explain the following terms:

(i) shareholders **[3]**

Content: Shareholders are owners. They can vote. People/institutions that have invested in a business by means of buying shares. They expect dividends in return for investments.

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

(ii) primary sector **[3]**

Content: That sector of the economy involved with the extraction or development of natural resources: mining, fishing, farming etc.

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

(b) (i) Calculate the payback period for the new packaging machinery. **[3]**

Original investment $10k
Net inflow $3k per year
Payback after 10/3 years = 3.33 years = 3 years 4 months = 40 months

Correct answer: 3 marks
Correct method but simple mistakes: 2 marks
Formula or identifies all the data but flawed calculation: 1 mark

(ii) Explain the limitations to BFC of payback as an investment appraisal technique. **[3]**

- They are a small business, so other factors may be important. e.g. need to find $10k
- Difficult to relate to interest rate (opportunity cost)
- Time value of money
- Accuracy of the data – how did David estimate?
- Doesn't show overall profitability of project.

Knowledge and Application	
Level 2: Shows understanding of limitations of payback in the context of the business	(2–3 marks)
Level 1: Simple statement about payback	(1 mark)

(c) Analyse the advantages and disadvantages to BFC of changing to a publ[illegible] company

Can be answered either from the point of view of staying as a partnership or from the point [illegible] view of changing to a public limited company.

Disadvantages
- Ltd seems to work at the moment
- Ltd is often how farms are run
- More privacy in limited, more difficult to take over
- Less divorce between management and ownership

Advantages
- Finance – limited finance if they stay as ltd – Can they afford $10000?
- Management/ownership – may be benefits of widening

ARA

Knowledge and Application	Analysis
Level 2: Shows understanding of plc in the context of the business (3–4 marks)	Level 2: Good analysis in context (3–4 marks)
Level 1: Shows understanding of plc (1–2 marks)	Level 1: Analysis of changing to plc (1–2 marks)

(d) Discuss the factors that BFC will need to consider when negotiating a price with TS for the contract. [10]

- Typical current levels of income they need
- Costs
- Factors influencing what TS might pay: cheap imports
- Can they negotiate a premium for their high quality, ethical product? Would this be something that interests TS's customers and therefore TS?

ARA

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of pricing in the context of the business (3–4 marks)	Level 2: Evaluation of factors in context (3–6 marks)
Level 1: Shows understanding of pricing (1–2 marks)	Level 1: Limited analysis of factors involved in pricing decisions (1–2 marks)