CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the May/June 2013 series

9707 BUSINESS STUDIES

9707/13 Paper 1 (Short Answer/Essay), maximum raw mark 40

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

1 **(a)** 'Share capital' can be defined as "the total value of capital raised from sharehold[illegible] issue of shares."

Partial definition. [1]
Full definition. [2]

(b) Disadvantages of using additional share capital as a source of investment finance could include:

– Raising additional equity finance can be costly and time-consuming – legal and regulating issues.
– The business will come under close scrutiny and the management will need to supply detailed information.
– The business may well lose a certain amount of power to make management decisions (depends on the investors).
– The shares of the business will, initially, become diluted – new investors may assume high degree of control.
– Business may become over-capitalised.
– Increased vulnerability to take-over.

Partial explanation of **one** disadvantage or **two** simply stated. [1]
Sound explanation of **one** disadvantage or partial explanation of **two.** [2]
Sound explanation of **two** disadvantages. [3]

2 **(a)** Definition of a PLC – the pattern of sales recorded by a product from launch to withdrawal from the market. The different stages a product might experience from introduction to decline.

Partial definition. [1]
Full definition. [2]

(b) Actions to extend the 'maturity' stage of a product's life-cycle could include:

– Develop new markets for existing products, e.g. export markets.
– Develop new uses for existing products.
– Re-launch involving new packaging.
– Re-launch involving new advertising.
– Reposition the brand in terms of image.

Partial explanation of **one** action or simple statement of **two**. [1]
Sound explanation of **one** action or partial explanation of **two**. [2]
Sound explanation of **two** actions. [3]

3 The transformation process will likely be discussed in the context of a definition: "the c… of inputs (e.g. land, labour and capital) into outputs in either manufacturing or service ind… – leading to tangible goods and intangible services.

The 'transformation process' could be explained using the following comments:

– In all businesses, the production process is essentially the same, i.e. a 'transformation process'.
– Aim of the process is to 'add value'.
– An efficient transformation process can lead to (high) profit.
– The extent and amount of profit gained will depend on the efficiency and effectiveness of the 'transformation process' and hence require constant management attention.

Limited definition/understanding of the 'transformation process'. [1]
Limited explanation of the 'transformation process'. [2–3]
Full explanation of the 'transformation process'. [4]
Full explanation with explicit reference to relevant examples such as goods and services. [5]

4 **(a)** The features of a public limited company include:

– Limited liability.
– Legal personality.
– Public reports and accounts required.
– Shares, traded on Stock Exchange.
– Often large companies.
– Continuity assured.
– Capital can be raised and dividends paid out.
– Management separate from ownership.

One relevant feature of a PLC stated. [1]
Two relevant features of a PLC stated. [2]

(b) Advantages may include:

– Shared decision making.
– Additional capital injection.
– Business risk shared.
– Opportunity for specialisation in management areas.

Partial explanation of **one** advantage or simple statement of **two**. [1]
Sound explanation of **one** advantage or partial explanation of **two**. [2]
Sound explanation of **two** advantages. [3]

5 **(a)** PED is important for a Director of Marketing in that:

- Price is a key part of the marketing mix and pricing decisions need to be rig[illegible] business success.
- PED is a measure of the responsiveness of demand following a change in price and is a potentially significant issue to consider when fixing/changing prices.
- PED facilitates making more accurate sales forecasts if, for example, production costs necessitate a price increase.
- Assists in making pricing decisions – where and by how much to change.
- So a vital analytical tool/concept in pricing decisions.

Analysis of the importance of PED for marketing decisions.	[7–8]
Good explanation of the importance of PED for marketing decisions.	[5–6]
Limited explanation of the importance of PED for marketing decisions.	[3–4]
Little understanding of the importance of PED for marketing decisions.	[1–2]

(b) The factors that need to be considered could include:

- Reviewing the short-term and long-term objectives
- Costs of production – running the buses – do they need to be covered in the short-term if market share is established? (Price penetration?)
- How strong is the competition? – Loss leader pricing.
- Is it possible to segment the market and focus on a few potentially profitable ranks? – Price discrimination.
- Product differentiation – better quality busses – more flexible timetables etc. – may be as important as the price.
- Pricing methods are relevant and should be rewarded but they need to be presented in terms of pricing strategy options and marketing mix options rather than just a list of pricing methods.

Some evaluative comment on pricing strategy issues in context.	[9–12]
Analysis of factors relevant to a pricing strategy in context.	[7–8]
Good discussion of pricing strategy factors.	[3–6]
Limited discussion of factors affecting pricing decisions.	[1–2]

6 After attempting some definition of staff morale – the spirit of a company's workforce – the level of trust and confidence held, support for company objectives/management/leadership – low productivity, lack of loyalty, absenteeism.

– Needs to analyse and understand where staff morale is low and needs improving (information and data may well exist within HR department if it is efficient!)
– Recognition that many factors impact on staff morale (external and internal) – internal factors are the likely ones HR need to focus on, e.g. uncertainty, rumour, poor results, poor quality products/services, poor management and leadership, poor marketing etc.
– Depending on the data and the quality of analysis, HR need to find some sustainable initiatives to make an improvement in staff morale.
– How to change from negative to positive – from despair to confidence.
– E.g.
  – Build trust
  – Root out poor management
  – Plan for some 'early wins'
  – Engage the staff
  – Improved service conditions
  – Training and development
  – Review intrinsic and extrinsic reward systems
  – Review organisational structure and levels of responsibility etc.
– An evaluative response might address the feasibility of a substantial or a sustainable increase in staff morale.

An evaluative discussion of some relevant factors and issues that could be used to improve staff morale. [17–20]
Analysis of a number of factors/issues that could be relevant to improving staff morale. [13–16]
Good discussion of some factors/issues that could be relevant to improving staff morale. [11–12]
Some discussion of factors/issues that could be relevant to improving staff morale. [5–10]
Very limited discussion of staff morale and associated issues. [1–4]

7 (a) 'The triple bottom line' is the definition of the objectives of a social enterprise orga economic, social and environmental. It is said to be a challenge in that:

– The focus of a triple bottom line business is broader than a simple profit-maki organisation and a Social Enterprise is a business that seeks to make money in socially responsible ways through the pursuit of **three** primary objectives: **economic, social, environmental**. As well as making money in a socially responsible way Social Enterprises often seek to invest any surplus (profit) into society.

A Social Enterprise organisation, like other organisations, often has to make decisions based on multiple and sometimes conflicting/competing objectives but the focus will be on the 'triple bottom line'.

The 3 'triple bottom line' objectives are: 1. **Economic** – make a profit and survive. 2. **Social** – ensure the well-being of people/employees, disadvantaged in the community, customers etc. 3. **Environmental** – protecting the environment and managing the business in an environmentally sustainable way.

There may well be tensions/conflicts **between** the 3 primary objectives of a Social Enterprise. Perhaps the most notable tension is often caused by the need for a Social Enterprise to remain **economically** viable and sustainable – being efficient, productive, and profitable as it seeks to achieve its social and environmental objectives. There may well be tensions and conflicts **within** each of the 3 objectives for example establishing priorities for social and environmental objectives.

Analysis of likely conflict between the 'triple bottom line' objectives of a Social Enterprise. [7–8]
Good explanation of likely conflict between the 'triple bottom line' objectives of a Social Enterprise. [5–6]
Limited explanation of likely conflict between the 'triple bottom line' objectives of a Social Enterprise. [3–4]
Little understanding of the 'triple bottom line' and/or a Social Enterprise. [1–2]

(b) The discussion is likely to refer to the contribution business entrepreneurs might ... country in terms of the business enterprise culture and activities they bring or deve... initial explanation of entrepreneurial characteristics may follow with an emphasis o... taking, innovation, creating and strengthening business ventures, and generally improvi... the national business enterprise culture and performance.

The contribution they make or may make to the future development of a country is likely to depend on factors such as:

– The stage of development (economic) that a country is presently in
– The quality of the skills of the entrepreneurs.
– The support and encouragement given to the entrepreneurs by the government of a country.
– The external issues that may affect a country in the future, given a dynamic and political external environment.

The role of business entrepreneurs could include activities such as:

– Stimulating business enterprise in whatever form as the engine of economic progress and development.
– Support infrastructure development and progress.
– Create jobs – multiplies effect on economy.
– Fostering entrepreneurial spirit – innovation – change.
– Creating opportunities for funding – taking advantage perhaps of international funding and support.
– Entering into partnerships with government-funded structures and organisations.
– Educating people of the potential benefits of market activity and private sector commerce.

Some evaluative comment on the role of business entrepreneurs in the future development of a country. [9–12]
Analysis of the role of business entrepreneurs in the future development of a country. [7–8]
Good discussion of the role of business entrepreneurs in the (future) development of a country. [3–6]
Limited discussion of business entrepreneurs/enterprise issues. [1–2]