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**BUSINESS**

**9609/22**

Paper 2 Data Response

**March 2017**

MARK SCHEME

Maximum Mark: 60

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**Published**

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 March 2017 series for most Cambridge IGCSE<sup>®</sup>, Cambridge International A and AS Level components and some Cambridge O Level components.

Question	Answer	Marks																							
1(a)(i)	<p><b>Define the term ‘partnership’ (line 1).</b></p> <table border="1" data-bbox="339 315 1291 517"> <thead> <tr> <th data-bbox="339 315 1139 365">Knowledge</th> <th data-bbox="1139 315 1291 365">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="339 365 1139 414">A correct definition</td> <td data-bbox="1139 365 1291 414">2</td> </tr> <tr> <td data-bbox="339 414 1139 463">A partial, vague or unfocused definition</td> <td data-bbox="1139 414 1291 463">1</td> </tr> <tr> <td data-bbox="339 463 1139 517">No creditable content</td> <td data-bbox="1139 463 1291 517">0</td> </tr> </tbody> </table> <p><i>Note: A correct definition must distinguish between a partnership and any other form of business ownership.</i></p> <p><b>Content</b> A business formed by two or more people with shared responsibilities and shared capital investment. Unlimited liability, no continuity. Often partnerships will have a partnership agreement to separate out investment and responsibilities.</p> <table border="1" data-bbox="339 819 1291 1308"> <thead> <tr> <th data-bbox="339 819 874 869">Exemplar</th> <th data-bbox="874 819 986 869">Mark</th> <th data-bbox="986 819 1291 869">Rationale</th> </tr> </thead> <tbody> <tr> <td data-bbox="339 869 874 954">A partnership has two or more owners with unlimited liability.</td> <td data-bbox="874 869 986 954">2</td> <td data-bbox="986 869 1291 954">A correct definition</td> </tr> <tr> <td data-bbox="339 954 874 1039">An unincorporated business with more than one owner.</td> <td data-bbox="874 954 986 1039">2</td> <td data-bbox="986 954 1291 1039">A correct definition</td> </tr> <tr> <td data-bbox="339 1039 874 1189">A business formed by two or more people with shared responsibilities and shared capital investment</td> <td data-bbox="874 1039 986 1189">1</td> <td data-bbox="986 1039 1291 1189">This could be confused with a private limited company</td> </tr> <tr> <td data-bbox="339 1189 874 1308">An unincorporated business with unlimited liability and no continuity.</td> <td data-bbox="874 1189 986 1308">1</td> <td data-bbox="986 1189 1291 1308">This could be confused with a sole trader</td> </tr> </tbody> </table>	Knowledge	Marks	A correct definition	2	A partial, vague or unfocused definition	1	No creditable content	0	Exemplar	Mark	Rationale	A partnership has two or more owners with unlimited liability.	2	A correct definition	An unincorporated business with more than one owner.	2	A correct definition	A business formed by two or more people with shared responsibilities and shared capital investment	1	This could be confused with a private limited company	An unincorporated business with unlimited liability and no continuity.	1	This could be confused with a sole trader	2
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1(a)(ii)	<p><b>Briefly explain the term ‘crowd funding’ (line 16).</b></p> <p>Award one mark for each point of explanation:</p> <table border="1" data-bbox="339 347 1291 566"> <tr> <td data-bbox="339 347 400 427"><b>C</b></td> <td data-bbox="400 347 1161 427">Example of some other way of showing good understanding, i.e. rewards, returns etc.</td> <td data-bbox="1161 347 1291 427">1 mark</td> </tr> <tr> <td data-bbox="339 427 400 515"><b>B</b></td> <td data-bbox="400 427 1161 515">Each contributing a (relatively small) amount or from each individual</td> <td data-bbox="1161 427 1291 515">1 mark</td> </tr> <tr> <td data-bbox="339 515 400 566"><b>A</b></td> <td data-bbox="400 515 1161 566">Large number of people</td> <td data-bbox="1161 515 1291 566">1 mark</td> </tr> </table> <p><i>Note: No credit for stating that crowd funding is a source of finance, as this is stated in the data.</i></p> <p><b>Content</b> Crowd funding is the practice of funding a project or venture by raising monetary contributions from a large number of people, typically via the internet. Typically made up of the business who is looking for funding, the people who may wish to fund the business and an intermediary organisation/agent who link the two together.</p> <p>There are different types of crowd funding, such as debt crowd funding and equity crowd funding where the rewards may be advance products or services, visits to the factor, interest or shares/equity in the business.</p>	<b>C</b>	Example of some other way of showing good understanding, i.e. rewards, returns etc.	1 mark	<b>B</b>	Each contributing a (relatively small) amount or from each individual	1 mark	<b>A</b>	Large number of people	1 mark	<b>3</b>	
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1(b)(i)	<p><b>Refer to Table 1. Calculate the break-even level of production <u>with</u> CAM.</b></p> <table border="1" data-bbox="339 1135 1291 1420"> <thead> <tr> <th data-bbox="339 1135 493 1189">Mark</th> <th data-bbox="493 1135 1291 1189">Rationale</th> </tr> </thead> <tbody> <tr> <td data-bbox="339 1189 493 1270">3 marks</td> <td data-bbox="493 1189 1291 1270">Correct calculation of break-even level of production with CAM (with or without working)</td> </tr> <tr> <td data-bbox="339 1270 493 1323">2 marks</td> <td data-bbox="493 1270 1291 1323">Attempt with correct use of figures</td> </tr> <tr> <td data-bbox="339 1323 493 1377">1 mark</td> <td data-bbox="493 1323 1291 1377">Correct formula</td> </tr> <tr> <td data-bbox="339 1377 493 1420">0 marks</td> <td data-bbox="493 1377 1291 1420">No creditable content</td> </tr> </tbody> </table> <p><b>Content</b> Formula: <math>\frac{FC}{\text{Contribution}}</math> (1) or <math>TR=TC</math> (1) Contribution = \$2.50 – \$1.00 = \$1.50 (1) <math>\frac{15\,000}{1.50} = 10\,000</math> (1) <b>Answer = 10 000 (3)</b> <i>Correct answer with no working should be awarded 3 marks.</i> OFR</p>	Mark	Rationale	3 marks	Correct calculation of break-even level of production with CAM (with or without working)	2 marks	Attempt with correct use of figures	1 mark	Correct formula	0 marks	No creditable content	<b>3</b>
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1(b)(ii)	<p><b>Explain <u>one</u> benefit to GI of using break-even analysis</b></p> <table border="1" data-bbox="339 315 1291 701"> <thead> <tr> <th>Level</th> <th>Knowledge and Application</th> <th>Marks</th> </tr> </thead> <tbody> <tr> <td>2b (APP +APP)</td> <td>Explanation of a benefit of using break-even analysis <b>in context</b></td> <td>3</td> </tr> <tr> <td>2a (APP)</td> <td>Identification of a benefit of using break-even analysis <b>in context</b></td> <td>2</td> </tr> <tr> <td>1 (K)</td> <td>Shows understanding of the <b>use</b> of break-even analysis</td> <td>1</td> </tr> <tr> <td>0</td> <td>No creditable content</td> <td>0</td> </tr> </tbody> </table> <p><i>Correct use of an incorrect answer to 1(b)(i) should be fully rewarded (own figure rule – OFR)</i>  <i>No credit for knowledge of BE or formula – already awarded in previous question.</i></p> <p><b>Content</b>            Answers may include:</p> <ul style="list-style-type: none"> <li>• decisions over how many to make/sell</li> <li>• to plan production</li> <li>• to monitor costs</li> <li>• to model pricing options</li> <li>• to target/forecast a profit level</li> <li>• to target/forecast a margin of safety.</li> </ul> <p>Context may include:</p> <ul style="list-style-type: none"> <li>• BE is higher with CAM</li> <li>• probably due to extra machinery</li> <li>• however output is significantly higher</li> <li>• as is the profit margin</li> <li>• batch production</li> <li>• expansion throughout country</li> <li>• quality ice cream – not about quantity.</li> </ul>	Level	Knowledge and Application	Marks	2b (APP +APP)	Explanation of a benefit of using break-even analysis <b>in context</b>	3	2a (APP)	Identification of a benefit of using break-even analysis <b>in context</b>	2	1 (K)	Shows understanding of the <b>use</b> of break-even analysis	1	0	No creditable content	0	<b>3</b>
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Question	Answer				Marks
1(c)	<b>Analyse <u>two</u> possible disadvantages to GI of introducing CAM to produce ice cream.</b>				8
	Level	Knowledge and Application (4 marks)	Marks	Analysis (4 marks)	Marks
	2	Shows understanding of CAM in context	4	Good analysis of <b>two (or more)</b> disadvantages of introducing/using CAM in context	4
			3	Good analysis of <b>one</b> disadvantage of introducing/using CAM in context	3
	1	Shows knowledge of CAM	1–2	Limited analysis of <b>two (or more)</b> disadvantages of introducing/using CAM	2
				Limited analysis of <b>one</b> disadvantage of introducing/using CAM	1
	0	No creditable content			
	<i>A non-contextual answer can only be awarded a maximum of 2 + 2 = 4</i>				
	<b>Content</b>				
	Answers could include:				
	<ul style="list-style-type: none"> <li>• Possible loss of quality in the production of the ice cream – could lead to poor customer satisfaction (<i>GI makes and sells high quality ice cream</i>).</li> <li>• Possible loss of perceived quality as <i>the business loses its 'handmade' badge</i>.</li> <li>• Cost of introducing the technology (<i>\$10 000 extra FC costs per month</i>).</li> <li>• Damage to the relationship with the <i>five skilled workers</i>.</li> <li>• Loss of skills (<i>GI employs five skilled workers</i>).</li> <li>• Reliability of the machinery (<i>GI do not have the money to repair it – as seen in their need to raise \$50 000 from venture capitalists</i>).</li> <li>• Need for training/retraining as <i>the employees are already trained in handmaking ice-cream</i>.</li> </ul>				
	ARA				

Question	Answer				Marks																										
1(d)	<p><b>Recommend which of the two venture capital offers Tom and Amy should accept. Justify your answer.</b></p> <table border="1" data-bbox="339 347 1291 1305"> <thead> <tr> <th data-bbox="339 347 683 432">Knowledge and Application (4 marks)</th> <th data-bbox="683 347 794 432">Marks</th> <th data-bbox="794 347 1177 432">Analysis and Evaluation (7 marks)</th> <th data-bbox="1177 347 1291 432">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="339 432 683 651"></td> <td data-bbox="683 432 794 651"></td> <td data-bbox="794 432 1177 651">A justified recommendation, for Tom and Amy, which venture capital offer they should accept based on a balanced argument.</td> <td data-bbox="1177 432 1291 651">7</td> </tr> <tr> <td data-bbox="339 651 683 835"></td> <td data-bbox="683 651 794 835"></td> <td data-bbox="794 651 1177 835">A recommendation, for Tom and Amy, which venture capital offer they should accept based on a balanced argument.</td> <td data-bbox="1177 651 1291 835">6</td> </tr> <tr> <td data-bbox="339 835 683 987"></td> <td data-bbox="683 835 794 987"></td> <td data-bbox="794 835 1177 987">A balanced argument based on one or both venture capital offers with evaluative comments</td> <td data-bbox="1177 835 1291 987">5</td> </tr> <tr> <td data-bbox="339 987 683 1220" rowspan="2">Shows understanding of one or both venture capital offers</td> <td data-bbox="683 987 794 1220" rowspan="2">3–4</td> <td data-bbox="794 987 1177 1104">Two sided argument(s) based on one or both venture capital offers</td> <td data-bbox="1177 987 1291 1104">4</td> </tr> <tr> <td data-bbox="794 1104 1177 1220">One sided argument based on one venture capital offer</td> <td data-bbox="1177 1104 1291 1220">3</td> </tr> <tr> <td data-bbox="339 1220 683 1305">Shows knowledge of venture capital</td> <td data-bbox="683 1220 794 1305">1–2</td> <td data-bbox="794 1220 1177 1305">Limited analysis of venture capital</td> <td data-bbox="1177 1220 1291 1305">1–2</td> </tr> </tbody> </table> <p data-bbox="339 1305 1291 1406"><i>Justification can come from looking at the advantages <b>and/or</b> disadvantages of BOTH offers, or from the advantages <b>and</b> disadvantages of the recommended offer.</i></p> <p data-bbox="339 1440 1291 1473">Answers could include:</p> <p data-bbox="339 1507 1291 1541"><b>Offer 1</b></p> <ul data-bbox="339 1541 1291 1709" style="list-style-type: none"> <li>• Loss of control – 51% equity given away – are Tom and Amy willing to give up so much?</li> <li>• Ease of distribution – should allow easier national expansion</li> <li>• Marketing knowledge and expertise – again should allow easier expansion</li> </ul> <p data-bbox="339 1709 1291 1742"><b>Offer 2</b></p> <ul data-bbox="339 1742 1291 1955" style="list-style-type: none"> <li>• Lower equity stake required – Tom and Amy would keep overall control of the business</li> <li>• Use of CAM will reduce costs of expansion – may further lower BE point and increase profit margin</li> <li>• Experience of Rebecca in project management and ops man – very important for expansion.</li> </ul> <p data-bbox="339 1989 1291 2022">ARA</p>				Knowledge and Application (4 marks)	Marks	Analysis and Evaluation (7 marks)	Marks			A justified recommendation, for Tom and Amy, which venture capital offer they should accept based on a balanced argument.	7			A recommendation, for Tom and Amy, which venture capital offer they should accept based on a balanced argument.	6			A balanced argument based on one or both venture capital offers with evaluative comments	5	Shows understanding of one or both venture capital offers	3–4	Two sided argument(s) based on one or both venture capital offers	4	One sided argument based on one venture capital offer	3	Shows knowledge of venture capital	1–2	Limited analysis of venture capital	1–2	11
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2(a)(ii)	<p><b>Briefly explain the term ‘above the line promotion’ (line 12).</b></p> <p>Award one mark for each point of explanation:</p> <table border="1" data-bbox="339 853 1291 1070"> <tbody> <tr> <td data-bbox="339 853 397 936"><b>C</b></td> <td data-bbox="397 853 1158 936">Example or some other way of showing good understanding</td> <td data-bbox="1158 853 1291 936">1 mark</td> </tr> <tr> <td data-bbox="339 936 397 987"><b>B</b></td> <td data-bbox="397 936 1158 987">Through a media</td> <td data-bbox="1158 936 1291 987">1 mark</td> </tr> <tr> <td data-bbox="339 987 397 1070"><b>A</b></td> <td data-bbox="397 987 1158 1070">Communication/advertising/creating awareness to consumers/customers</td> <td data-bbox="1158 987 1291 1070">1 mark</td> </tr> </tbody> </table> <p><b>Content</b></p> <p>Above The Line promotion is the use of media to promote a business and reach out to the target consumers. These include conventional media, television and radio advertising, print as well as internet. This is communication that is targeted to a wider spread of audience, and is not specific to individual consumers.</p>	<b>C</b>	Example or some other way of showing good understanding	1 mark	<b>B</b>	Through a media	1 mark	<b>A</b>	Communication/advertising/creating awareness to consumers/customers	1 mark	3
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2(b)(ii)	<p><b>Explain <u>one</u> way in which CT could make use of price elasticity of demand calculations.</b></p> <table border="1" data-bbox="339 349 1292 667"> <thead> <tr> <th data-bbox="339 349 531 398">Level</th> <th data-bbox="531 349 1139 398">Knowledge and Application</th> <th data-bbox="1139 349 1292 398">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="339 398 531 483">2b (APPAPP)</td> <td data-bbox="531 398 1139 483">Explanation of a way PED could be used in context</td> <td data-bbox="1139 398 1292 483">3</td> </tr> <tr> <td data-bbox="339 483 531 568">2a (APP)</td> <td data-bbox="531 483 1139 568">Identification of a way PED could be used in context</td> <td data-bbox="1139 483 1292 568">2</td> </tr> <tr> <td data-bbox="339 568 531 618">1a (K)</td> <td data-bbox="531 568 1139 618">Shows understanding of the <b>use</b> of PED</td> <td data-bbox="1139 568 1292 618">1</td> </tr> <tr> <td data-bbox="339 618 531 667">0</td> <td data-bbox="531 618 1139 667">No creditable content</td> <td data-bbox="1139 618 1292 667">0</td> </tr> </tbody> </table> <p><i>Correct use of an incorrect answer to 1(b)(i) should be fully rewarded (own figure rule –OFR).</i>  <i>No credit for knowledge of PED or formula – already awarded in previous question.</i></p> <p><b>Content</b>            Answers could include:</p> <ul style="list-style-type: none"> <li>• Can see that cleaning services are price inelastic (OFR).</li> <li>• CT should not reduce their price – they should increase their price back to the original level (or increase it further).</li> <li>• Price is obviously not the most important factor when customers purchase cleaning services.</li> <li>• PED can be used to calculate revenue based on price changes.</li> </ul>	Level	Knowledge and Application	Marks	2b (APPAPP)	Explanation of a way PED could be used in context	3	2a (APP)	Identification of a way PED could be used in context	2	1a (K)	Shows understanding of the <b>use</b> of PED	1	0	No creditable content	0	<b>4</b>
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Question	Answer				Marks
2(c)	<b>Analyse <u>one</u> advantage and <u>one</u> disadvantage to CT of being an employee-owned business.</b>				<b>8</b>
<b>Level</b>	<b>Knowledge and Application (4 marks)</b>	<b>Marks</b>	<b>Analysis (4 marks)</b>	<b>Marks</b>	
2	Shows understanding of employee owned businesses in context	3–4	Good analysis of one (or more) advantage(s) <b>AND</b> one (or more) disadvantage(s) of being an employee-owned business <b>in context</b>	4	
			Good analysis of one (or more) advantage(s) <b>OR</b> one (or more) disadvantage(s) of being an employee-owned business <b>in context</b>	3	
1	Shows knowledge of employee owned businesses	1–2	Limited analysis of one (or more) advantage(s) <b>AND</b> one (or more) disadvantage(s) of being an employee-owned business	2	
			Limited analysis of one (or more) advantage(s) <b>OR</b> one (or more) disadvantage(s) of being an employee-owned business	1	
<p>Answers could include:</p> <p>Context:</p> <ul style="list-style-type: none"> <li>• equal ownership</li> <li>• different skills in cleaning</li> <li>• each owner may have different personal contacts – cleaning homes</li> <li>• each owner may have different business contacts to expand into the industrial market.</li> </ul> <p>Advantages:</p> <ul style="list-style-type: none"> <li>• working together to solve problems</li> <li>• economies of scale</li> <li>• motivation from being owners/sharing profits.</li> </ul> <p>Disadvantages:</p> <ul style="list-style-type: none"> <li>• disagreements – who is in control?</li> <li>• if there is a manager do they have authority</li> <li>• do the workers have the management skills?</li> <li>• could be a lack of capital investment</li> <li>• could lead to slow decision making.</li> </ul>					

Question	Answer				Marks	
2(d)	<b>Discuss how CT's marketing mix might need to change to target customers in the industrial market.</b>				<b>11</b>	
<b>Knowledge and Application (4 marks)</b>		<b>Marks</b>	<b>Analysis and Evaluation (7 marks)</b>			<b>Marks</b>
			Justified evaluation that follows on from a <b>balanced argument</b> of change(s) to the marketing mix <b>in context</b>			7
			Evaluation that follows on from a <b>balanced argument</b> of change(s) to the marketing mix <b>in context</b>			6
			A balanced argument based on change(s) to the marketing mix <b>in context</b>			5
Shows understanding of the marketing mix in context		3–4	Argument based on change(s) to the marketing mix <b>in context</b>			3–4
Shows knowledge of the marketing mix		1–2	Limited analysis of how the marketing mix might change/be changed			1–2
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<p><b>Content:</b> Answers could include:</p> <ul style="list-style-type: none"> <li>• Product – the businesses will expect evening/night-time cleaning – will CT have employees who are willing to do this? Will they expect higher remuneration for anti-social hours? However the essence the service on offer is the same.</li> <li>• Price – need to find out how sensitive the industrial market is to price? Likely to be more price elastic due to being a cost of business. Therefore CT may find themselves in a more competitive market and need to charge lower prices/have lower margin.</li> <li>• May need to move towards below the line promotion – above the line likely to be expensive to target industrial market (except trade magazines). May need to employ sales people to target businesses directly.</li> <li>• Industrial customers are unlikely to come to them (i.e. phone or book on internet) so CT will need to be more proactive in finding customers.</li> </ul>						