

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Level and GCE Advanced Subsidiary Level

MARK SCHEME for the May/June 2006 question paper

9707 BUSINESS STUDIES

9707/01

Paper 1

Maximum mark 40

This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which Examiners were initially instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began. Any substantial changes to the mark scheme that arose from these discussions will be recorded in the published *Report on the Examination*.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes must be read in conjunction with the question papers and the *Report on the Examination*.

The minimum marks in these components needed for various grades were previously published with these mark schemes, but are now instead included in the Report on the Examination for this session.

- CIE will not enter into discussion or correspondence in connection with these mark schemes.

CIE is publishing the mark schemes for the May/June 2006 question papers for most IGCSE and GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.



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- 1 (a)** Public sector central/local govt. controlled, private sector is enterprises/companies.
- Partial understanding of each type or full understanding of one only. 1
- Full explanation of difference between private and public sector. 2
- (b)** PLC quoted on stock market, has multiple shareholders and wide access to finance, but must publish much more detail of accounts.
- Some understanding of one relevant point of difference. 1
- Partial explanation of one relevant point of difference. 2
- Full explanation of one relevant point of difference. 3
- 2 (a)** Job is no longer required due to changing circumstances of firm, e.g. downsizing, change of technology, relocation etc. Not dismissal of employee.
- Partial definition. 1
- Full definition of the term. 2
- (b)** HRM determines the labour requirements, selects candidates and plans training and staff development, to meet the needs of the business involved.
- One relevant aspect given. 1
- Two relevant aspects given. 2
- Three relevant aspects given. 3
- 3** Profit maximisation is prime objective of a plc, but other objectives might dominate in short run, e.g. growth, market share, sales maximisation. Profit enables growth, investment, competing and satisfying employees. Ultimately plcs have to satisfy shareholders by producing good profits, or they will become unhappy and sell shares, causing price to drop. So stock market pressure to keep improving profit drives directors of plcs.
- Demonstrating some limited knowledge of what profit maximisation is. 1
- Understanding of the term but not fully explaining in terms of plc status. 2-3
- Good explanation of importance for a plc. 4-5
- 4 (a)** Primary is tailor-made, new research, secondary already produced/published.
- Full explanation of one term or partial explanation of both terms. 1
- Full explanation of both terms. 2
- (b)** Quota sample selects respondents in line with known consumer profile for product. Reflects different characteristics or demography of consumers. More likely to be representative than a random sample.
- Some understanding of term. 1
- Some explanation of what quota sample involves. 2
- Good understanding of why a firm might select quota. 3

- 5 (a) Apart from grants, company will need long term finance. Internal funds (retained profit) unlikely to suffice but will be starting point. Consider debt or equity, assuming company is PLC which is almost certain. Effect on accounts of each – gearing effect of debt but benefit when paid off, dilution effect of new share capital with need for dividends etc. Short term measures such as squeezing working capital or overdraft not appropriate.

Knowledge and Application	Analysis and Evaluation
Level Two: Applies sources to needs of a large company with long term objectives. 3-4 marks	
Level One: Long term sources given. Giving short-term sources, but discounting: 1 mark 1-2 marks	Level One: Analysis of pros and cons of different sources of finance. 1-4 marks

- (b) New technology generally involves automation, robotics, CAD/CAM etc. The change can be disruptive to car production and difficult to bed in. It may cause HR problems with change of skills, redundancy, changed work groups etc., which workers may resist or even take action against. It may be expensive and cause financing problems.

Knowledge and Application	Analysis and Evaluation
Level Two: Applies factors to the needs of a car manufacturer. 3-4 marks	Level Two: Evaluates problems in light of need to upgrade technology, with some ways of overcoming suggested. 5-8 marks
Level One: Gives factors involved in new technology. 1-2 marks	Level One: Analyses factors and ways in which business may be disadvantaged in the short term. 1-4 marks

- 6 Answers should include discussion of the function of leadership in business: appointing staff, setting objectives and communicating information, rewarding and disciplining, finding suitable means of motivating workers etc. Candidates should consider leadership at different levels from the MD down to shop floor level. Analysis of different leadership styles is appropriate: autocratic, democratic and laissez-faire, leading by example or simply directing. Theory X or Y. Delegation and consultation are important factors here. Good candidates will link leadership style to motivation factors, e.g. recognising individuals' needs (Maslow), recognition of success (Herzberg). Evaluation should include some awareness that success, however it is measured, may be down to other factors than leadership, such as financial reward, Theory X-style fear etc.

Knowledge and Application	Analysis and Evaluation
Level Two: Solid explanation of how good management creates success. 5-8 marks	Level Two: Awareness of how different styles can be effective, and evaluation of extent to which other factors than leadership may determine success. 9-12 marks
Level One: Simple discussion of leadership styles or functions. 1-4 marks	Level One: Analyses importance of leadership at all levels to manage and motivate workers to achieve objectives. 1-8 marks

- 7 (a) Answers should include discussion of the benefits of job creation, contribution to GDP and tax revenue, benefit to Balance of Payments and spin-off benefits for local suppliers. Hi-tech business should help development of other businesses, with higher added value. Also cheaper local products benefiting consumers. Disadvantages include funds often demanded, possible damage to local competitors and danger of subsequent closure if the industry contracts.

Knowledge and Application	Analysis and Evaluation
Level Two: Gives substantially full list of direct advantages for computer company. 3-4 marks	
Level One: Shows limited awareness of benefits to the economy such as jobs or output. 1-2 marks	Level One: Explains importance of the benefits in the context of their country and showing awareness of some of the risks. 1-4 marks

- (b) Answers should consider various options, whether selling direct, through an agent or wholesaler, using a local manufacturer or opening their own office. Analysis should include discussion of the factors such as cost and control, importance of availability of local stocks etc.

Knowledge and Application	Analysis and Evaluation
Level Two: Gives appropriate channels for a computer firm with some explanation as to why they are appropriate. 3-4 marks	Level Two: Evaluation of different channels in relation to possible company objectives, such as market penetration/domination. 5-8 marks
Level One: Outlines some channels. One or two marks for relevant mention of physical distribution factors. 1-2 marks	Level One: Analyses criteria on which firms might make their choice, e.g. cost, control, stock levels etc., giving some advantages and disadvantages. 1-4 marks