

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the October/November 2007 question paper

9707 BUSINESS STUDIES

9707/01

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.

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.

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Question Number	Question (including any Source Details)	Part Mark
Section A (Short Answer)		
1 (a)	<p>Definitions such as ‘The number of staff that a manager has authority over’ – or ‘the number of people directly under the control of a manager’.</p> <p>A definition that indicates some understanding A definition that indicates full understanding</p>	[1] [2]
(b)	<p>Answers such as charts help individuals to see their position in an organisation – appreciate their responsibilities – see who has authority over them, and to whom they are accountable.</p> <p>Limited explanation of one reason for the usefulness of an organisation chart (probably generic and not specifically related to employees). One <u>relevant</u> reason given with limited explanation. One <u>relevant</u> reason given with developed explanation.</p>	[1] [2] [3]
2 (a)	<p>Possible answers could include enhanced image of mobile ‘phones as fashion items, response to successful marketing/advertising, technological product development – any other relevant and acceptable factors <u>other</u> than price.</p> <p>States or identifies one factor that could cause an increase in demand for a mobile ‘phone/any product. States or identifies one relevant factor related to an increase in demand for mobile ‘phones (i.e., with some development of the relevant factor).</p>	[1] [2]
(b)	<p>Under a relatively price inelastic condition, any fall in demand as a result of a price increase should be proportionately less than the increase in price and so while total sales will fall, in fact sales <u>revenue</u> will rise.</p> <p>Limited understanding of the <u>concept</u> of price elasticity of demand. Limited but accurate explanation of the effect of a price rise in this inelastic context (probably a focus on sales <u>or</u> revenue). Full and accurate explanation of the effect of a price rise in this inelastic context (must focus on sales <u>and</u> revenue).</p>	[1] [2] [3]

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Question Number	Question (including any Source Details)	Part Mark
3	<p>The benefits gained through increased size might be <u>financial</u> (borrow money for investment), <u>technical</u> (afford mass production techniques and machinery), <u>risk bearing</u> (support innovation), <u>managerial</u> (support high quality management) or <u>strategic</u> (sustain richer product portfolio), marketing/purchasing opportunities etc. These benefits are/can be of particular value/necessity/importance for specific industries, leading to opportunities for higher profitability, lower costs, expansion etc.</p> <p>Some understanding of economies of scale. [1] Sound understanding of economies of scale. [2] Good understanding of economies of scale and importance. [3–4] Good understanding of economies of scale and importance <u>in context</u>. [5]</p>	
4 (a)	<p>Sources might include retained profit, overdraft, debt factoring, short-term loans, increasing creditor days, decreasing debtor days, sale of assets, sale of shares.</p> <p><u>One</u> relevant source given. [1] <u>Two</u> relevant sources given. [2]</p>	
(b)	<p>Spending on business resources, fixed assets which can be used repeatedly over a period of time. The explanation may be in terms of the nature of such expenditure, the sources of such expenditure, and/or the distinction between it and revenue expenditure.</p> <p>Some <u>understanding</u> of the term. [1] Limited <u>explanation</u> of the term. [2] Full <u>explanation</u> of the term. [3]</p>	

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Question Number	Question (including any Source Details)	Part Mark
	Section B (Essays)	
5 (a)	<p>Answers should describe the movement from a private limited company to a public limited company and analyse such benefits as wider/easier access to financial resources (shares to the public), greater opportunities to grow (economies of scale), greater share of the market etc.</p> <p style="padding-left: 40px;">Sound analysis of the potential benefits of the <u>movement</u> from a private limited company to a public limited company. Some <u>analysis</u> of the benefits of being a public limited company. Sound <u>understanding</u> of the elements of a public limited company. Shows limited awareness of a public limited company.</p>	<p>[7–8] [5–6] [3–4] [1–2]</p>
(b)	<p>Answers should clearly discuss the stakeholder concept and differentiate between different stakeholders as they might view this decision to change to a plc, e.g.</p> <p>Shareholders probably want to realise wealth by having quoted shares, but could be concerned about possible loss of control. Managers might appreciate publicity and reputation firm could gain, helpful in recruiting, with shares able to be used as incentive for themselves and other employees. However, they will be aware that they will be under the spotlight and life might become more stressful. Employees want security and higher wages; going public may well make the firm more ruthless and less of a family business. But expansion will bring more opportunities to the ambitious. Suppliers want security, continuity and higher prices; Plcs should be safer to trade with but could be more ruthless. Customers want top quality and lowest prices. A Plc should be more able to provide that. The Community will be looking for continuity and growth, which hopefully this will provide, but the risk of takeover and closure (or asset stripping) could worry them.</p> <p style="padding-left: 40px;">Evaluative comment which makes reference to the possible balance between benefits and drawbacks of the decision to change.</p> <p style="padding-left: 40px;">Sound analysis of the views of different stakeholders (at least 2) of the decision to change.</p> <p style="padding-left: 40px;">Shows good understanding of different aims and objectives of stakeholder groups.</p> <p style="padding-left: 40px;">Shows some understanding of the stakeholder concept.</p>	<p>[11–12] [8–10] [3–7] [1–2]</p>

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Question Number	Question (including any Source Details)	Part Mark
6	<p>There are many theories that seek to explain how employees are motivated and some argue that financial rewards are most important, e.g. scientific theories (e.g. Theory X). employees works as a means to an end. In contrast, human relations theories (e.g. Theory Y) argue that workers are motivated by a variety of factors including non-financial factors, e.g. teamwork, status, self-actualisation. There is an expectation of a <u>specific focus on financial rewards</u> as a good way of motivating employees with comment and analysis (possibly through motivation theories) on the significance of such financial rewards.</p> <p>Some evaluative comment such as an explicit judgement with regard to the impact of financial rewards or employee motivation.</p> <p>Sound analysis of the extent to which financial rewards are a good way of motivating employees (possibly using motivation theories) and referring to financial and non-financial rewards. The mark position in this level will depend on the quality of the analysis and the depth of examples and illustrations given.</p> <p>Some descriptive comment on employee motivation, including financial rewards.</p> <p>Limited awareness of rewards and/or motivation.</p>	<p>[17–20]</p> <p>[11–16]</p> <p>[5–10]</p> <p>[0–4]</p>

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Question Number	Question (including any Source Details)	Part Mark
7 (a)	Answers should explain (implicitly or explicitly) JIT and place the technique in the context of stock management/control. A means to control the flow of stock in a business to ensure the right amount is held. JIT is just one method to control and manage such a flow. In recent years many businesses have changed their approach to stock management. The approach of JIT to stock control is to hold low or zero levels of finished goods and raw materials. JIT aims to reduce stockholding costs, for example establishing close working relationships with suppliers for frequent deliveries and operating the Kanban order card system.	
	Attempts some discussion/comment on the possible limitations/risks in using JIT to manage stocks in a manufacturing business.	[7–8]
	Sound explanation and analysis of how JIT could be used to manage stocks in a manufacturing business.	[5–6]
	Shows good understanding of JIT.	[3–4]
	Shows some awareness of JIT.	[1–2]
(b)	Answers will clearly discuss the <u>elements of effective stock management</u> and why such an effective method is important. (Issues discussed might include problems of overstocking and understocking – opportunity costs – holding costs, delayed production, wasted stock – stock rotation etc – and the impact on costs, reputation, production). Strong answers will connect the demands of effective stock management to the contribution of an <u>effective method</u> to support a system of stock management that avoids the inefficiencies that can arise.	
	Answers will make explicit the relationship between an effective <u>method(s)</u> of stock management and a resultant effective stock management/control <u>system</u> in businesses.	[11–12]
	Analysis of what an effective method of stock management is and what it can do for a business.	[8–10]
	Shows good understanding of effective stock management <u>or</u> of an effective method of stock management.	[3–7]
	Shows some understanding of stock management <u>or</u> of a method of stock management.	[1–2]