

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

## **MARK SCHEME for the October/November 2008 question paper**

### **9707 BUSINESS STUDIES**

**9707/02**

Paper 2 (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.

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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## 1. Paperclips

### (a) Explain the following terms:

#### (i) Stakeholders [3]

Content: Groups who have an interest in the performance of a business, typically including employees, shareholders, customers, suppliers, the state, the community.

**Level 2:** Good understanding [2–3 marks]

**Level 1:** Partial understanding [1 mark]

#### (ii) Market Research [3]

Content: Gathering data about market size and trends, competitors, consumer buying habits or likely sales levels. Can be from primary or secondary sources.

**Level 2:** Good understanding [2–3]

**Level 1:** Partial understanding [1]

### (b) (i) If sales in month 4 are \$800, calculate the closing balance in Table 1 for that month. [2]

Closing balance = opening balance + sales – costs =  
 $\$200 + 800 - \$300 - \$100 = \$600$

Correct answer [2]

Attempt, or figures identified [1]

### (ii) State two reasons why the directors of PC might have difficulty raising the \$200 cash shortfall needed for month 2. [2]

New business  
 Only students  
 No security  
 Investing in students' business  
 Risk  
 Students don't have much money to invest  
 Etc. ARA

<b>Knowledge and Application</b>
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1 mark for each reason
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### (iii) Explain the difference between cash and profit. [4]

Profit is calculated using accruals (when things are bought and sold rather than when they are paid for).

Cash is calculated on the basis of money flowing in and out of the business.

Because stock is purchased on credit the two are different.

<b>Knowledge and Application</b>
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<b>Level 2:</b> Shows understanding of difference between cash/profit (3–4 marks)
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<b>Level 1:</b> Shows understanding of issues involved in cash/profit (1–2 marks)
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- (c) Advise Ling on the factors that she will need to consider in recommending a marketing mix for PC. [10]

Going to be difficult to compete on price with supermarket  
Promotion will, therefore be important  
Business is raising money for charity – good promotional point  
Student business, should be supported by teachers, other students  
On site, so much more convenient  
ARA

<b>Knowledge and Application</b>	<b>Analysis and Evaluation</b>
<b>Level 2:</b> Shows understanding of factors/mix in context of the business (3–4 marks)	<b>Level 2:</b> Evaluation of factors (advice) in context (3–6 marks)
<b>Level 1:</b> Shows understanding of marketing mix/factors (1–2 marks)	<b>Level 1:</b> Analysis of the factors (1–2 marks)

- (d) Briefly analyse the factors that might limit the success of PC [6]

Content:

Limited market  
Run by students (motivation/commitment?)  
External constraints e.g. college rules  
Competition especially supermarket  
Inexperience  
Lack of finance

<b>Knowledge and Application</b>	<b>Analysis and Evaluation</b>
<b>Level 2:</b> Shows understanding of factors in context of the business (3–4 marks)	
<b>Level 1:</b> Shows understanding of factors influencing success (1–2 marks)	<b>Level 1:</b> Analysis of the factors (1–2 marks)

## 2 CC Cosmetics

- (a) Explain the following terms:

- (i) **Mass Marketing** [3]

Content: Selling products to a whole market with no attempt to target groups within it.

**Level 2:** Good understanding [2–3]

**Level 1:** Partial understanding [1]

- (ii) **Quality Control** [3]

Content: Process of checking the quality standards of work done or the quality of materials bought by the business to the satisfaction of the customer.

**Level 2:** Good understanding [2–3]

**Level 1:** Partial understanding [1]

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**(b) (i) Using Table 4 calculate the price elasticity of demand for CC's main product. [2]**

% change in demand = 7%

% change in price = 10%

Elasticity =  $7/10 = 0.7$  (no need for sign)

Correct answer 2 marks

Correct method but wrong answer 1 mark e.g. 1.4

**(ii) The price elasticity of demand for their competitor is 1.2. How might CC use the information on elasticity and your answer in (b)(i) for deciding on their marketing mix? [4]**

Competitors are elastic therefore prices are important in consumers decisions

CC inelastic. Consumers not so responsive to price

Could be due to loyalty, quality of products, customers liking ethical stance

Lack of price responsiveness suggests:

Inelastic, therefore price decision may not be critical

Other aspects of mix more important

May not want to be concerned about pricing decisions of competitors but more about differentiating products from competitors

OFR/ARA

<b>Knowledge and Application</b>
<b>Level 2:</b> Shows understanding of uses of elasticity in context of the business (3–4 marks)
<b>Level 1:</b> Shows understanding of uses of elasticity (1–2 marks)

**(c) Analyse the Human Resource Management issues for CC if the planned international expansion takes place. [8]**

Available skills

Different cultures/ethical values

Different wage structures

Different legal constraints/employment laws

What organisation structure? Geographic/functional?

Communication

Maintaining motivation, commitment

ARA

<b>Knowledge and Application</b>	<b>Analysis and Evaluation</b>
<b>Level 2:</b> Shows understanding of HRM in the context of the business (3–4 marks)	<b>Level 2:</b> Good analysis in context (3–4 marks)
<b>Level 1:</b> Shows understanding of HRM (1–2 marks)	<b>Level 1:</b> Limited analysis of issues (1–2marks)

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**(d) Discuss the implications for CC of its ethical approach to business activities. [10]**

Clearly leads to loyal customers  
 Helps to have motivated and committed workforce  
 Clear marketing advantages over competitors

Means costs are higher  
 Likely to be a smaller market  
 Will ethics be so important in new markets?

Evaluation likely to come from recognising the key factors.

<b>Knowledge and Application</b>	<b>Analysis and Evaluation</b>
<b>Level 2:</b> Shows understanding of ethics in the context of the business (3–4 marks)	<b>Level 2:</b> Evaluation of ethics or good analysis in context (3–6 marks)
<b>Level 1:</b> Shows understanding of ethics (1–2 marks)	<b>Level 1:</b> Limited analysis of ethics (1–2marks)