

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

**MARK SCHEME for the October/November 2009 question paper  
for the guidance of teachers**

**9707 BUSINESS STUDIES**

**9707/11**

Paper 11 (Short Answer/Essay), maximum raw mark 40

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### Section A (Short Answer)

- 1 (a) Definitions could refer to the way authority and power, and information are passed down a business – the flow of authority, power, and information

Limited/partial definition [1]  
Full definition [2]

References to decision-making or hierarchy without explicit mention of the flow of authority to be awarded 1 mark

- (b) Explanations may refer to an emphasis away from functions towards projects or tasks; reduce layers in hierarchy; combine line departments with project task teams; advantages: encourages team approach, where staff are assigned by ability and skill, not rank or position; traditional departmental barriers broken down; more varied work; greater motivation for staffing multi-disciplinary teams; reduces bureaucracy.

Appropriate definition given of matrix structure/or one weak explanation of an advantage [1]  
Sound explanation given of one advantage/or two weak explanations of advantages [2]  
Sound explanation given of two advantages [3]

- 2 (a) Definitions could include: the responsiveness of demand to a change in price; a large change in demand in response to a proportionately small change in price; the product is said to be price elastic; may give formula:

$$\frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}}$$

Limited/partial definition [1]  
Full definition (formula is full definition) [2]

- (b) Explanation could include: under a relatively 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, sales revenue in fact will rise.

Limited understanding of relative price inelasticity e.g. assumption of perfect not relative inelasticity [1]

Accurate explanation of relative price inelasticity but mention of either sales or revenue (but not both) [2]

Accurate explanation of/or implied clear understanding of relative price inelasticity with accurate reference to sales and revenue [3]

A correctly labelled diagram should be rewarded and could in fact merit the award of all 3 marks

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- 3** Answers might include a definition of diseconomies of scale – the practical limits to growth as unit costs rise and diseconomies set in. These diseconomies might be caused by: more hierarchy and bureaucracy as organisation expands and grows; chain of command lengthens; efficiency reduced resulting in an increase in output that causes a more than proportionate increase in average costs; decision-making becomes more complex; communication slows; too many middle managers; spans of control become ambiguous; too much diversification by business leads to lack of focus; employees become de-motivated; some may distinguish internal and external diseconomies.

Accurate definition only given [1]  
 At least one cause of diseconomies identified and explained [2–3]  
 At least two causes of diseconomies identified and explained [4]  
 5<sup>th</sup> mark awarded to answers that make explicit reference to a manufacturing context [5]

- 4 (a)** Median and mode are measures of central tendency which facilitate the interpretation of statistical information. Median is the value which divides a distribution into a 'top' and 'bottom' half. If the responses are put in order it is the value which falls in the middle.  
 Mode is the most commonly occurring value in a distribution.

Accurate understanding of one of these terms [1]  
 Accurate understanding of both terms [2]

- (b)** Measures of central tendency such as the median and mode are used to obtain information from a set of observed values. The median is better than the mean in removing the impact of unrepresentative data if a manufacturer is seeking to interpret demand at the retail level. The mode is more useful however where it is important to manufacture and supply shoes and sizes. Manufacturing shoes and sizes in equal numbers would cause shortage in some shoes and over-supply in others. Thus the mode is very useful when the most common characteristic or value of a set of data is required.

Limited explanation of either median or mode [1]  
 Partial explanation of relative value of mode and median or good explanation of mode but no reference to the median [2]  
 Full explanation of relative value of mode and median in context [3]

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## SECTION B (ESSAY)

- 5 (a) Answers could refer to the requirement to publish certain accounts that are used to assess the performance and strength of a business as stated in financial/numerical terms. Expect some indication of contents and purposes of each account. Balance sheet indicates assets, liabilities and sources of finance; gives a paper value of a company, indicates liquidity position and asset efficiency; a snapshot in time. Profit & loss shows revenue and costs for a period of time, sales minus cost of sales; profit generated or losses made in a given period.

Addresses the 'purposes' of the accounts (rather than just unpacking the component parts of these accounts). [7–8]

Sound understanding and analysis of Balance Sheet and Profit & Loss accounts with attempt to explain the purposes. [5–6]

Shows understanding of Balance Sheet and/or Profit & Loss accounts. [3–4]

Shows some limited awareness of Balance Sheet and/or Profit & Loss accounts. [1–2]

- (b) Usefulness could include reference to shareholders accounts, give information relating to security of the investment; dividend prospects; share value; indicates level of risk and reward and general financial performance of the business; prospects for growth etc. Managers assisted in planning and control; useful as comparison with other companies; gives a picture of financial strengths and weaknesses of the business; indicator of efficiency; may calculate ratios. Strong students may comment on what the accounts do not show; the qualitative issues; the limitations of historical information etc.

Attempt at evaluative comment e.g. the limitations, and therefore the limits, to the usefulness of these accounts. [11–12]

Sound analysis of how shareholders and managers might make use of these accounts.

[8–10]

Shows awareness of the interests of shareholders and/or managers in respect of financial accounts. [3–7]

Shows limited awareness of the interests of shareholders and/or managers in these accounts. [1–2]

- 6 Candidates might well define management in terms of roles and functions, e.g. people in positions of authority setting targets, planning strategy, organizing, communicating, delegating, controlling, motivating, monitoring etc. Management theorists such as Fayol, Taylor, Drucker and Mintzberg might be mentioned (Mintzberg model – entrepreneur, troubleshooter, allocates and negotiates). Some might use style of authoritarian, democratic, laissez faire also. This is an essay on management, not on motivation, though motivation could be an element of the discussion. Strong candidates will make specific reference to good management and/or successful business, and/or to importance.

Some evaluative comment – perhaps commenting on what 'good' management is said to be, or how 'important' it is for a 'successful' business. [17–20]

Analysis of good management (probably reference to some theory(s), concepts, models) [14–16]

Sound explanation of what managers do (or are said to do). [11–13]

Descriptive discussion of management functions.-may be implied through discussion of leadership and/or motivation theory. [5–10]

Limited awareness of what management is said to involve. [1–4]

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- 7 (a) A discussion might initially define and unpack the marketing mix; the elements of a marketing strategy to meet the needs of customers; the four P's (or 5 or 6 ...) product, price, promotion and place; the mix of concepts combined to effect a demand for a product or service; each may well be described. Reference might be made to the mix that achieves a marketing strategy which then achieves the general objectives of a business. Strong students may well refer to critical limitations of the concept, e.g. not necessarily linked to financial objectives; danger of ignoring profitability.

Attempt to comment evaluatively on the importance and potential contribution of the concept to business objectives. [11–12]

Sound understanding and analysis of the marketing mix. [8–10]

Shows understanding of the marketing mix (probably quite descriptive). [3–7]

Limited awareness of the marketing mix concept. [1–2]

- (b) This is a question about the factors affecting promotion decisions. It is not just a question asking for lots of information about promotion activities. Candidates could define promotion – a form of corporate communication that uses various methods to reach a targeted audience with a certain message in order to achieve specific organizational objectives – and refer to different types of promotion, e.g. advertising, sales promotion, public relations, personal selling.

The factors that could influence promotion decisions in this context might be: objectives of the marketing promotion e.g. to sell a new car; build awareness; create interest; provide information; stimulate demand; reinforce the brand; the targets of the marketing promotion; current customers; potential customers; retailers; distributors; fit with the other 4 Ps; a consistent message across all options and recognize impact on other areas of the business, e.g. inventory available to meet demand; organization capability and philosophy; availability of resources; company approach to advertising and selling.

Explanation of the need for marketing decisions to be connected to all other decisions in a business in context. [7–8]

Sound understanding and analysis of factors that could influence promotion decisions. [5–6]

Shows understanding of promotion as part of the marketing mix (little or no focus on factors influencing decisions). [3–4]

Shows limited awareness of promotion. [1–2]