

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

**MARK SCHEME for the October/November 2010 question paper  
for the guidance of teachers**

**9707 BUSINESS STUDIES**

**9707/22**

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, which would have considered the acceptability of alternative answers.

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Page 2	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE AS/A LEVEL – October/November 2010	9707	22

## 1 Big Boxes

### (a) Explain the following terms:

#### (i) interest rates [3]

Content: The cost of borrowing expressed as a percentage. Influences business costs and business decisions.

Level 2: Good explanation. (2–3 marks)

Level 1: Partial explanation/understanding. (1 mark)

#### (ii) e-commerce. [3]

Content: The use of the Internet in business trading. Can suffer from abuse such as fraud. May reduce retailing costs.

Level 2: Good explanation. (2–3 marks)

Level 1: Partial explanation/understanding. (1 mark)

### (b) (i) Calculate the forecast net profit margin for 2011. [3]

NP = Sales – cost of goods sold (COGS) – overheads = \$120m – \$60m – \$30m = \$30m

GPM =  $\frac{\$30m}{\$120m} \times 100 = 25\%$

Correct answer (3 marks)

Correct method but simple mistakes (2 marks)

Formula or identifies all the data but flawed calculation will earn (1 mark)

### (ii) The net profit margin for 2010 is 50%. Using Table 1 and your answer to part (i), comment on the trend in net profit margin. [3]

Falling significantly. Falling sales value, COGS not falling as rapidly, overheads rising.  
Any reasonable answer (ARA).

<b>Knowledge and Application</b>	
Level 2: Shows understanding of NPM in context.	(2–3 marks)
Level 1: Simple statements.	(1 mark)

Page 3	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE AS/A LEVEL – October/November 2010	9707	22

**(c) Analyse the likely impact of external influences on the activities of BB. [8]**

Environmental policies may mean targets and constraints for industries.  
 Consumers' behaviour and changes in buying decisions (two sets of consumers here, businesses and home consumers).  
 Level of economic activity – recession, inflation.  
 Economic policies can change spending patterns (interest rates, taxes etc).  
 Legal impositions.  
 Grants etc.  
 ARA.

Knowledge and Application	Analysis
Level 2: Shows understanding of external influences/impact in context of the business. (3–4 marks)	Level 2: Good analysis of influences in context. (3–4 marks)
Level 1: Shows understanding of external influences/impact. (1–2 marks)	Level 1: Analysis of influences. (1–2 marks)

**(d) Discuss how BB might change their marketing mix in response to the change in the market for its products. [10]**

Content could include:

Price: Home consumers more demanding. What can they afford? Retail mark-up?

Product: Appearance and quality now important. Home consumers are likely to buy smaller volumes. Does this affect product? Informative to begin with?

Promotion: No longer business-to-business, so now more likely to be media advertising than other forms of promotion.

Place: Distribute through retail shops? E-commerce? Sell direct to customers?

ARA.

Evaluation likely to come through prioritising mix.

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of a marketing mix in context of the business. (3–4 marks)	Level 2: Evaluation of changes in context. (3–6 marks)
Level 1: Shows understanding of marketing mix. (1–2 marks)	Level 1: Analysis of changing the mix. (1–2 marks)

Page 4	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE AS/A LEVEL – October/November 2010	9707	22

## 2 Newtown Hospital

### (a) Explain the following terms:

#### (i) public sector [3]

Content: That section of business owned by the state. May have profit as main objective or may be like hospitals. Contrasts with private sector (owned by individuals).

Level 2: Good explanation. (2–3 marks)

Level 1: Partial explanation/understanding. (1 mark)

#### (ii) capacity utilisation. [3]

Content: The extent to which a resource (e.g. factory, machinery) is used, expressed as output/potential output  $\times$  100. Expressed as %. Needs to be high (efficiency) but not too high (diseconomies).

Level 2: Good explanation. (2–3 marks)

Level 1: Partial explanation/understanding. (1 mark)

### (b) (i) Suppose cash inflow in month 5 is \$30m higher than in month 4 and all costs remain the same as those for month 4 (see table 2). Calculate the closing balance for month 5. [3]

Cash inflow = \$50m

Closing balance =  $-7 + 50 - 7 = \$36m$

Correct answer (3 marks)

Correct method but simple mistakes (2 marks)

Formula or identifies all the data but flawed calculation will earn (1 mark)

### (ii) Using Table 2 and your answer to part (i), explain the usefulness of the cash flow forecast to NH. [3]

Shows \$24m finance will be needed from somewhere.

Now in positive.

Some expenses are one-off so next year will be much better.

<b>Knowledge and Application</b>	
Level 2: Shows understanding of cash flow in the context of the business.	(2–3 marks)
Level 1: Simple statements.	(1 mark)

<b>Page 5</b>	<b>Mark Scheme: Teachers' version</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>GCE AS/A LEVEL – October/November 2010</b>	<b>9707</b>	<b>22</b>

- (c) **Analyse methods of market research that NH could use to help set the prices that it might charge private sector health organisations.** [8]

Secondary research/desk research:

What prices are charged by private sector organisations for same facilities?

What similar facilities are there?

What demand is there for such facilities?

Primary research/field research:

What do organisations currently pay?

What would patients be prepared to pay?

What facilities do patients want?

Organisations may well not want to provide confidential information.

ARA.

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

- (d) **Discuss the factors that NH needs to consider in managing its human resources when starting the 'renting out' project.** [10]

Union pressures – negotiations

Extra work

Overtime

Little possibility of extra pay

Will they like working for both public and private sectors?

Better management of facilities

ARA.

Evaluation likely to come from recognising the key factors:

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