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**BUSINESS**

**9609/21**

Paper 2 Data Response

**May/June 2019**

MARK SCHEME

Maximum Mark: 60

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**Published**

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.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

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This document consists of **17** printed pages.

### Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

#### GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

#### GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

#### GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

#### GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

#### GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

#### GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Question	Answer	Marks																													
1(a)(i)	<p><b>Define the term 'break even' (line 24).</b></p> <table border="1" data-bbox="217 315 1418 577"> <thead> <tr> <th data-bbox="217 315 1283 383">Knowledge</th> <th data-bbox="1283 315 1418 383">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="217 383 1283 450">A correct definition</td> <td data-bbox="1283 383 1418 450">2</td> </tr> <tr> <td data-bbox="217 450 1283 517">A partial, vague or unfocused definition</td> <td data-bbox="1283 450 1418 517">1</td> </tr> <tr> <td data-bbox="217 517 1283 577">No creditable content</td> <td data-bbox="1283 517 1418 577">0</td> </tr> </tbody> </table> <p>Break-even can be defined in a number of ways:</p> <ul data-bbox="276 651 1026 748" style="list-style-type: none"> <li>• expenditure (costs) and income (revenue) are equal</li> <li>• the level of sales/units where there is no profit or loss</li> <li>• <math>TR = TC</math></li> </ul> <table border="1" data-bbox="217 786 1418 1473"> <thead> <tr> <th data-bbox="217 786 751 853">Exemplar</th> <th data-bbox="751 786 884 853">Marks</th> <th data-bbox="884 786 1418 853">Rationale</th> </tr> </thead> <tbody> <tr> <td data-bbox="217 853 751 981">When a business makes enough sales/revenue/income to cover all the costs.</td> <td data-bbox="751 853 884 981">2</td> <td data-bbox="884 853 1418 981">Both elements covered</td> </tr> <tr> <td data-bbox="217 981 751 1048"><math>TC = TR</math></td> <td data-bbox="751 981 884 1048">2</td> <td data-bbox="884 981 1418 1048">Both elements covered</td> </tr> <tr> <td data-bbox="217 1048 751 1144">Cost of sales is equal to sales revenue.</td> <td data-bbox="751 1048 884 1144">1</td> <td data-bbox="884 1048 1418 1144">No understanding of total costs (CoS only covers direct costs)</td> </tr> <tr> <td data-bbox="217 1144 751 1240">The business makes no profit or loss</td> <td data-bbox="751 1144 884 1240">1</td> <td data-bbox="884 1144 1418 1240">No understanding of the level of sales/units</td> </tr> <tr> <td data-bbox="217 1240 751 1368">The point at which a business stops making a loss and can start to make a profit</td> <td data-bbox="751 1240 884 1368"></td> <td data-bbox="884 1240 1418 1368">No understanding of the level of sales/units</td> </tr> <tr> <td data-bbox="217 1368 751 1473">Where the business has made enough sales to have broken even.</td> <td data-bbox="751 1368 884 1473">0</td> <td data-bbox="884 1368 1418 1473">Tautological, no understanding</td> </tr> </tbody> </table>	Knowledge	Marks	A correct definition	2	A partial, vague or unfocused definition	1	No creditable content	0	Exemplar	Marks	Rationale	When a business makes enough sales/revenue/income to cover all the costs.	2	Both elements covered	$TC = TR$	2	Both elements covered	Cost of sales is equal to sales revenue.	1	No understanding of total costs (CoS only covers direct costs)	The business makes no profit or loss	1	No understanding of the level of sales/units	The point at which a business stops making a loss and can start to make a profit		No understanding of the level of sales/units	Where the business has made enough sales to have broken even.	0	Tautological, no understanding	2
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1(a)(ii)	<p><b>Explain the term ‘industrial markets’ (line 5).</b></p> <p>Award one mark for each point of explanation:</p> <table border="1" data-bbox="217 383 1415 678"> <thead> <tr> <th></th> <th>Rationale</th> <th>Marks</th> </tr> </thead> <tbody> <tr> <td>C</td> <td>Example or some other way of showing good understanding</td> <td>1</td> </tr> <tr> <td>B</td> <td>Understanding that it is not the end user, i.e. used to produce, not to end user etc. – anything to do with manufacturing and production</td> <td>1</td> </tr> <tr> <td>A</td> <td>Understanding of business to business</td> <td>1</td> </tr> </tbody> </table> <p><b>Content</b> When a business sells to another business, in contrast to selling to the end user. Industrial markets usually supply components for use in the production of products and services.</p> <p><b>ARA</b></p> <table border="1" data-bbox="217 913 1415 1406"> <thead> <tr> <th>Exemplar</th> <th>Marks</th> <th>Rationale</th> </tr> </thead> <tbody> <tr> <td>An industrial market is when a business sells components to another business who then sells it to another business or the end user</td> <td>3</td> <td>A clear understanding of all three elements</td> </tr> <tr> <td>When a business sells to another business who is not the end user</td> <td>2</td> <td>An understanding of B2B and not an end user but no C mark</td> </tr> <tr> <td>Selling business to business</td> <td>1</td> <td>Point A only</td> </tr> <tr> <td>When you sell to someone who is not the end user</td> <td>1</td> <td>Point B only</td> </tr> </tbody> </table>		Rationale	Marks	C	Example or some other way of showing good understanding	1	B	Understanding that it is not the end user, i.e. used to produce, not to end user etc. – anything to do with manufacturing and production	1	A	Understanding of business to business	1	Exemplar	Marks	Rationale	An industrial market is when a business sells components to another business who then sells it to another business or the end user	3	A clear understanding of all three elements	When a business sells to another business who is not the end user	2	An understanding of B2B and not an end user but no C mark	Selling business to business	1	Point A only	When you sell to someone who is not the end user	1	Point B only	3
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Question	Answer				Marks
1(c)	<b>Analyse <u>two</u> factors which may have affected the location of WL.</b>				<b>8</b>
<b>Level</b>		<b>Knowledge and Application (4 marks)</b>	<b>Marks</b>	<b>Analysis (4 marks)</b>	<b>Marks</b>
2b		Shows understanding of <b>two</b> (or more) factors which may have affected location of WL	4	Good analysis of <b>two</b> (or more) factors which may have affected location of WL	4
2a		Shows understanding of <b>one</b> factor which may have affected location of WL	3	Good analysis of <b>one</b> factor which may have affected location of WL	3
1b		Shows knowledge of <b>two</b> (or more) factors which may affect location	2	Limited analysis of <b>two</b> (or more) location factors	2
1a		Shows knowledge of <b>one</b> factor which may affect location	1	Limited analysis of <b>one</b> location factor	1
No creditable content					0
<b>Content</b>					
<ul style="list-style-type: none"> <li>• Geographic – Likely to need a relatively rural area to grow trees and process them. However, cannot be too rural as there is a need for a workforce (labour intensive).</li> <li>• Demographic – WL is a labour intensive business – will need to be close enough to a populated area to provide the workforce. Alternatively, may need to offer accommodation.</li> <li>• Legal – There are likely to be legal restrictions on how many and what type of trees can be felled. May have needed to locate in a country where the laws are more relaxed.</li> <li>• Political – Environmental concerns/leanings of the political party in charge (e.g. Green party)</li> <li>• Resources – Need to be near trees/raw materials for production</li> <li>• Infrastructure – Need to be near a road and rail network for deliveries.</li> <li>• Marketing – there may be types of wood/areas where certain trees grow which have a higher value than others.</li> </ul>					

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2(d)	<b>Refer to Table 2.1 Evaluate the financial performance of PI compared to its competitors.</b>				<b>11</b>	
<b>Knowledge and Application (4 marks)</b>		<b>Marks</b>	<b>Analysis and Evaluation (7 marks)</b>			<b>Marks</b>
			Justified evaluation based on arguments in context			7
			Developed evaluation based on arguments in context			6
			An evaluative statement based on arguments in context			5
Shows understanding of two or more measures of financial performance in context		4	Developed arguments based on two or more measures of financial performance in context			4
Shows understanding of one measure of financial performance in context		3	Developed argument based on one measure of financial performance in context			3
Shows knowledge of two or more measures of financial performance		2	Limited analysis of two measures of financial performance			2
Shows knowledge of one measure of financial performance		1	Limited analysis of one measure of financial performance			1
No creditable content				0		
<b>Note: Market share is not a correct answer as it is not a financial indicator/measure of financial performance</b>						
<b>Rationale – Cannot evaluate financial performance based off only one indicator i.e. GPM only</b>						
<b>Content</b>						
<ul style="list-style-type: none"> <li>• GPM of PI is higher than the competitors – suggests that PI is efficient in terms of direct costs (economies of scale)</li> <li>• NPM is lower than all of the other competitors – suggests that PI is inefficient in terms of indirect costs (diseconomies of scale)</li> <li>• Working capital is negative – suggests that PI could struggle to pay short term debts. Does it have enough cash to pay for any promotion? Will IP be able to survive the short term? Will IP need a short-term source of finance?</li> <li>• Current ratio shows that PI does not have enough CA to cover CL – Does it have enough cash to pay for any promotion? Will IP be able to survive the short term?</li> <li>• However, TB seems to be holding too many CA – is this efficient?</li> <li>• Web solutions has much better (twice) NPM than PI – how can this business be so much more efficient? Can PI copy any of its techniques?</li> </ul>						



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2(d)	<p><b>ARA</b></p> <p>Routes to evaluation</p> <ul style="list-style-type: none"> <li>• Which firm is best/worst</li> <li>• Which set of financial data is most important</li> <li>• The relative importance of financial performance compared to other areas – i.e. sales performance</li> </ul> <p>An example of how an answer could develop and how it should be annotated.</p> <table border="1" data-bbox="229 591 1407 1122"> <thead> <tr> <th data-bbox="229 591 437 658">K</th> <th data-bbox="437 591 647 658">APP</th> <th data-bbox="647 591 855 658">AN</th> <th data-bbox="855 591 1066 658">DEV</th> <th data-bbox="1066 591 1407 658">EVAL</th> </tr> </thead> <tbody> <tr> <td data-bbox="229 658 437 855">Gross profit margin</td> <td data-bbox="437 658 647 855">PI has the highest GPM</td> <td data-bbox="647 658 855 855">This means that they have low direct costs</td> <td data-bbox="855 658 1066 855">Which could mean they have more efficient production</td> <td data-bbox="1066 658 1407 855">PI has a good margin which is essential for a profitable business</td> </tr> <tr> <td data-bbox="229 855 437 1122">Working capital</td> <td data-bbox="437 855 647 1122">Is the only one of the three that has a negative working capital</td> <td data-bbox="647 855 855 1122">Which may mean they can struggle to pay their debts</td> <td data-bbox="855 855 1066 1122">And not have enough money to spend on marketing</td> <td data-bbox="1066 855 1407 1122">However they may still face liquidation  This depends on whether their creditors insist on immediate payment</td> </tr> </tbody> </table>				K	APP	AN	DEV	EVAL	Gross profit margin	PI has the highest GPM	This means that they have low direct costs	Which could mean they have more efficient production	PI has a good margin which is essential for a profitable business	Working capital	Is the only one of the three that has a negative working capital	Which may mean they can struggle to pay their debts	And not have enough money to spend on marketing	However they may still face liquidation  This depends on whether their creditors insist on immediate payment	
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