

Location Entry Codes

As part of CIE's continual commitment to maintaining best practice in assessment, CIE has begun to use different variants of some question papers for our most popular assessments with extremely large and widespread candidature. The question papers are closely related and the relationships between them have been thoroughly established using our assessment expertise. All versions of the paper give assessment of equal standard.

The content assessed by the examination papers and the type of questions are unchanged.

This change means that for this component there are now two variant Question Papers, Mark Schemes and Principal Examiner's Reports where previously there was only one. For any individual country, it is intended that only one variant is used. This document contains both variants which will give all Centres access to even more past examination material than is usually the case.

The diagram shows the relationship between the Question Papers, Mark Schemes and Principal Examiner's Reports.

Question Paper	Mark Scheme	Principal Examiner's Report
Introduction	Introduction	Introduction
First variant Question Paper	First variant Mark Scheme	First variant Principal Examiner's Report
Second variant Question Paper	Second variant Mark Scheme	Second variant Principal Examiner's Report

Who can I contact for further information on these changes?

Please direct any questions about this to CIE's Customer Services team at: international@cie.org.uk

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

MARK SCHEME for the May/June 2009 question paper
for the guidance of teachers

9707 BUSINESS STUDIES

9707/21

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 A/AS LEVEL – May/June 2009	9707	21

1 Jane's Book

(a) Explain the following terms:

(i) business objective

[3]

Content: Medium to long term targets that can give a sense of direction to managers, departments, organisations. Should be realistic. Can conflict.

Level 2: Good explanation

[2–3 marks]

Level 1: Partial explanation/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 explanation

[2–3 marks]

Level 1: Partial explanation/understanding

[1 mark]

(b) (i) Calculate the number of books that Jane needs to sell to break even.

[2]

Fixed costs \$7000

Variable costs \$10 per book

Price \$20 per book

$$BE = FC/(P - VC) = 7000/(20 - 10) = 700$$

Alternative acceptable answer:

$$FC = \$7000 + \$10000 = \$17000$$

$$BE = 17000/10 = 1700$$

Correct answer 2 marks

Right method with mistakes 1 mark

(ii) What is the profit if Jane sells 10,000 books?

[2]

9,300 books more than B/E each earning \$10 = \$93,000

Alternative acceptable \$83,000

Correct answer 2 marks

Right method with mistakes 1 mark

(iii) Explain the usefulness to Jane of your answers to (i) and (ii).

[4]

Jane doesn't want to make a profit so that BE tells her the minimum target for sales of books. The fact that she makes \$93k (\$83k) at 10,000 books may help her chose a different price if 10k books is unrealistic. Useful for "what if".

Knowledge and Application	
Level 2: Shows understanding of B/E in context	[3–4 marks]
Level 1: Shows understanding of issues involved in B/E	[1–2 marks]

Page 3	Mark Scheme: Teachers' version	Syllabus	Paper
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(c) Briefly analyse possible sources of finance that Jane might use. [6]

Difficult for someone in her position

Little savings

Would a bank lend her the money? Maybe as she has good earning potential both from book and athletics

Friends, relatives may be difficult

Possibility of a sponsor, partner?

ARA

Knowledge and Application	Analysis
Level 2: Shows understanding of sources of finance in context of the business [3–4 marks]	
Level 1: Shows understanding of sources of finance [1–2 marks]	Level 1: Brief analysis of the sources [1–2 marks]

(d) Discuss methods that Jane could use to promote her book. [10]

Content:

Limited finance/budget probably means not a great deal of above the line.

Needs to persuade book shops, libraries to stock the book. Personal selling?

Book fairs would be a good idea.

Media coverage is often available to sports people so PR

Sponsors could be a great help

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of a promotion in context of the business [3–4 marks]	Level 2: Evaluation of methods of promotion in context or good analysis [3–6 marks]
Level 1: Shows understanding of promotion [1–2 marks]	Level 1: Analysis of methods of promotion [1–2 marks]

Page 4	Mark Scheme: Teachers' version	Syllabus	Paper
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2 Cheapo Air

(a) Explain the following terms:

(i) profit margin [3]

Content: Profit as a proportion of sales revenue. Can be net or gross. Important aspect is changes rather than absolute level. Useful for comparing similar businesses. Not mark-up.

Level 2: Good explanation [2–3 marks]
 Level 1: Partial explanation/understanding [1 mark]

(ii) Price inelastic. [3]

Content: Quantity demanded changes little in proportion to a change in price. Elasticity <1. Price up = Revenue up (but not profit). May suggest higher prices could be charged.

Level 2: Good understanding [2–3 marks]
 Level 1: Partial understanding [1 mark]

(b) (i) Calculate the price that CA would have to charge business customers to achieve the same operating profit per flight as for low cost flights. [3]

Operating profit from low cost flights = \$15k (given)
 \$15k for 200 seats = \$75 per seat (1 mark)
 Price = \$150 + \$75 = \$225 (2 marks)

Correct answer 3 marks
 Correct method but simple mistake 2 marks
 Identifies all the data but flawed calculation will earn 1 mark

(ii) Briefly comment on your answer to (b) (i). [3]

OFR
 Higher than low cost, higher than competitors. Would they want to achieve same net revenue? How accurate are costs?

Knowledge and Application	
Level 2: Shows understanding in the context of the business	[2–3 marks]
Level 1: Simple statement, e.g. it has gone up.	[1 mark]

Page 5	Mark Scheme: Teachers' version	Syllabus	Paper
	GCE A/AS LEVEL – May/June 2009	9707	21

- (c) Analyse the factors that CA would need to consider in setting a price for their business customers. [8]

Competitors are charging a lower price for an inferior service
 Market is relatively inelastic. Consumers not so responsive to price.
 Need to earn a profit
 Need to recover investment
 Cost, adding value

Price needs to be consistent with other aspects of marketing mix (e.g. Cheapo Air)

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of factors/pricing decisions in the context of the business [3–4 marks]	Level 2: Evaluation of factors or good analysis [3–4 marks]
Level 1: Shows understanding of factors/pricing decisions [1–2 marks]	Level 1: Limited analysis of factors [1–2 marks]

- (d) Discuss the HRM issues that would arise if CA did switch from low cost flights to business flights. [10]

Need more staff. Where from?
 Staff will need training. Cost?
 Staff will need to do more. Higher wages?
 Business customers will be more demanding, may need different staff with different skills.
 Management of change
 Recruitment/redundancies (some candidates may argue for reductions/replacements, needs to be justified)
 ARA

Evaluation likely to come from recognising the key factors.

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of HRM/ issues in the context of the business [3–4 marks]	Level 2: Evaluation HRM issues or good analysis in context [3–6 marks]
Level 1: Shows understanding of HRM/ issues [1–2 marks]	Level 1: Limited analysis of HRM issues [1–2 marks]

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	GCE A/AS LEVEL – May/June 2009	9707	22

1 Bob's Band

(a) Explain the terms:

(i) margin of safety [3]

Content: Difference between break even level of output/sales and actual level of output/sales. Could be used as part of "what if?" break even analysis.

Level 2: Good explanation [2–3 marks]
 Level 1: Partial explanation/understanding [1 mark]

(ii) target market. [3]

Content: Marketing term. Related to segmentation. That part of a market that is to be the focus of marketing activity.

Level 2: Good explanation [2–3 marks]
 Level 1: Partial explanation/understanding [1 mark]

(b) (i) Calculate the price that FB should charge in order to break even at 150 ticket sales. [4]

Fixed costs \$1000
 Variable costs \$1 per ticket
 BE = 150

$$BE = FC / (P - VC)$$

$$So\ 150 = 1000 / (P - 1)$$

$$P - 1 = 1000 / 150$$

$$P - 1 = 6.7$$

$$P = \$7.7$$

Correct answer 4 marks
 Right method with minor mistakes 3 marks
 Right method, several mistakes 2 marks
 Attempt/identifies data 1 mark
 Formula = 1 mark

(ii) Explain the usefulness to FB of using break even analysis. [4]

OFR applies
 Could be useful in pricing decisions
 Suitable for "what if" analysis
 ARA

Knowledge and Application	
Level 2: Shows understanding of B/E in context	[3–4 marks]
Level 1: Shows understanding of issues involved in B/E	[1–2 marks]

Page 3	Mark Scheme: Teachers' version	Syllabus	Paper
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(c) Briefly analyse why FB may have difficulty getting finance for the concert. [6]

Owners unknown, no experience or track record
 Starting up
 None of their own finance
 Who would invest?
 No security, students
 ARA

Knowledge and Application	Analysis
Level 2: Shows understanding of sources of finance/difficulties in context of the business [3–4 marks]	
Level 1: Shows understanding of sources of finance/difficulties [1–2 marks]	Level 1: Brief analysis of the difficulties in context [1–2 marks]

(d) Discuss the factors that FB need to consider in promoting the concert. [10]

Content:
 Promotion budget
 Audience:
 School friends easy
 Other schools and colleges relatively easy?
 External people more difficult
 Likely media:
 Radio stations
 Clubs
 Internet sites
 Evaluation likely to come through discussing relative importance of factors
 ARA

Knowledge and Application	Analysis and Evaluation
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