Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

BUSINESS STUDIES **9707/21**

Paper 2 Data Response **May/June 2014**

1 hour 30 minutes

No Additional Materials are required.

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READ THESE INSTRUCTIONS FIRST

An answer booklet is provided inside this question paper. You should follow the instructions on the front cover of the answer booklet. If you need additional answer paper ask the invigilator for a continuation booklet.

Answer **all** questions.
The businesses described in this question paper are entirely fictitious.

The number of marks is given in brackets [ ] at the end of each question or part question.

This document consists of **4** printed pages and **1** insert.

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1 Super View (SV)

SV manufactures large flatscreens (televisions) for use at music concerts and sporting events. Despite weak economic conditions, SV's sales are increasing. Market share has also grown because of the use of dynamic pricing. However, profits are decreasing. Jacques, the Operations Director, believes that decreasing profits are due to changes in productivity. Jacques has produced Table 1.

Table 1: Annual productivity data

	2013
Number of employees	25
Flatscreens produced	1800
Capital productivity (flatscreens produced per production line)	200

Jill, the Finance Director, has identified a liquidity problem at SV. She has produced the following extract from SV's accounts.

Table 2: Extract from SV's accounts ($m)

	2012	2013
Inventories	50	60
Cash	5	0
Trade receivables	25	10
Trade payables	50	60
Overdraft	0	10

Ali, the Managing Director, is worried by recent newspaper reports about SV and its flatscreens.

Extract from newspaper reports:

- several spectators were injured when a flatscreen fell over during a concert
- concerns expressed over high energy use of large flatscreens
- complaints about noise levels at music events
- components for SV flatscreens sourced from low wage countries exploiting workers
- SV's directors have recently voted themselves high bonuses.

(a) Explain the following terms:

(i) dynamic pricing (line 3) [3]

(ii) trade receivables (line 19). [3]

(b) (i) Using Table 1, calculate labour productivity for 2013. [2]

(ii) For 2012, annual labour productivity was 83 flatscreens per worker and capital productivity was 166 flatscreens per production line. Using your answer to **(i)** and other information, comment on changes in productivity at SV. [4]

(c) Using Table 2 and appropriate accounting ratios, analyse the change in SV's liquidity between 2012 and 2013. [8]

(d) Discuss the view that SV should have corporate responsibility as a business objective. [10]

2 Top Quality Supermarkets (TQ)

TQ is a public limited company. TQ operates a large supermarket chain in its country. TQ's main competitor is CC Supermarkets.

TQ aims to provide high quality products. TQ's supermarkets are spacious and well designed. Customer service and the focus on the 4Cs is high. TQ's brand name is strong and TQ is able to charge premium prices for many products. Some popular products have low prices to attract new customers into its supermarkets.

Last year CC Supermarkets had a major marketing campaign based on its prices being guaranteed to be the lowest in the country. Table 3 shows sales and market share data for TQ, CC and others.

Table 3: Supermarket Sales ($m)

	2012		2013
	Sales ($m)	Market share (%)	Sales ($m)
TQ	100	25	95
CC	200	50	250
Others	100	25	79
Total market	400	100	424

TQ's main objective has been to maintain market share. However this has not been achieved recently. In order to achieve this objective in 2014, TQ proposes the following changes to its marketing mix:
- reduce prices on key products
- increase the marketing budget and increase TV advertising
- provide increased customer services
- obtain endorsements from famous people.

TQ also thinks that highly motivated employees are essential to its performance. TQ is renegotiating employment contracts with its employees. This includes:
- more flexible working conditions
- bonus for each year completed with TQ
- staff discounts on purchases
- profit sharing scheme for all employees
- a pay increase that is below average, to save some direct costs.

(a) Explain the following terms:

(i) public limited company (line 1) [3]

(ii) direct costs (line 30). [3]

(b) (i) Using the data in Table 3, calculate TQ's market share for 2013. [2]

(ii) Explain why maintaining market share might **not** be a suitable objective for TQ. [4]

(c) Analyse the likely impact on TQ's competitiveness of the proposed changes to its marketing mix. [8]

(d) Discuss the extent to which the new employment contracts will help TQ improve its performance. [10]