Cambridge International AS & A Level

Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

BUSINESS **9609/22**

Paper 2 Data Response **March 2017**

MARK SCHEME

Maximum Mark: 60

Published

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CAMBRIDGE International Examinations

Question	Answer	Marks
1(a)(i)	**Define the term 'partnership' (line 1).**	**2**

Knowledge	Marks
A correct definition	2
A partial, vague or unfocused definition	1
No creditable content	0

Note: A correct definition must distinguish between a partnership and any other form of business ownership.

Content
A business formed by two or more people with shared responsibilities and shared capital investment. Unlimited liability, no continuity. Often partnerships will have a partnership agreement to separate out investment and responsibilities.

Exemplar	Mark	Rationale
A partnership has two or more owners with unlimited liability.	2	A correct definition
An unincorporated business with more than one owner.	2	A correct definition
A business formed by two or more people with shared responsibilities and shared capital investment	1	This could be confused with a private limited company
An unincorporated business with unlimited liability and no continuity.	1	This could be confused with a sole trader

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(a)(ii)</td><td>

Briefly explain the term 'crowd funding' (line 16).

Award one mark for each point of explanation:

C	Example of some other way of showing good understanding, i.e. rewards, returns etc.	1 mark
B	Each contributing a (relatively small) amount or from each individual	1 mark
A	Large number of people	1 mark

Note: No credit for stating that crowd funding is a source of finance, as this is stated in the data.

Content
Crowd funding is the practice of funding a project or venture by raising monetary contributions from a large number of people, typically via the internet. Typically made up of the business who is looking for funding, the people who may wish to fund the business and an intermediary organisation/agent who link the two together.

There are different types of crowd funding, such as debt crowd funding and equity crowd funding where the rewards may be advance products or services, visits to the factor, interest or shares/equity in the business.

</td><td>3</td></tr>
<tr><td>1(b)(i)</td><td>

Refer to Table 1. Calculate the break-even level of production <u>with</u> CAM.

Mark	Rationale
3 marks	Correct calculation of break-even level of production with CAM (with or without working)
2 marks	Attempt with correct use of figures
1 mark	Correct formula
0 marks	No creditable content

Content

Formula: $\frac{\text{FC}}{\text{Contribution (1)}}$ or TR=TC (1)

Contribution = \$2.50 – \$1.00 = \$1.50 (1)

$\frac{15\,000}{1.50} = 10\,000$ (1)

Answer = 10 000 (3)
Correct answer with no working should be awarded 3 marks.
OFR

</td><td>3</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)(ii)</td><td>

Explain <u>one</u> benefit to GI of using break-even analysis

<table>
<tr><th>Level</th><th>Knowledge and Application</th><th>Marks</th></tr>
<tr><td>2b (APP +APP)</td><td>Explanation of a benefit of using break-even analysis **in context**</td><td>3</td></tr>
<tr><td>2a (APP)</td><td>Identification of a benefit of using break-even analysis **in context**</td><td>2</td></tr>
<tr><td>1 (K)</td><td>Shows understanding of the **use** of break-even analysis</td><td>1</td></tr>
<tr><td>0</td><td>No creditable content</td><td>0</td></tr>
</table>

Correct use of an incorrect answer to 1(b)(i) should be fully rewarded (own figure rule – OFR)
No credit for knowledge of BE or formula – already awarded in previous question.

Content
Answers may include:

decisions over how many to make/sell
to plan production
to monitor costs
to model pricing options
to target/forecast a profit level
to target/forecast a margin of safety.

Context may include:
BE is higher with CAM
probably due to extra machinery
however output is significantly higher
as is the profit margin
batch production
expansion throughout country
quality ice cream – not about quantity.

</td><td>3</td></tr>
</table>

Question	Answer	Marks
1(c)	**Analyse <u>two</u> possible disadvantages to GI of introducing CAM to produce ice cream.**	**8**

Level	Knowledge and Application (4 marks)	Marks	Analysis (4 marks)	Marks
2	Shows understanding of CAM **in context**	4	Good analysis of **two (or more)** disadvantages of introducing/using CAM **in context**	4
		3	Good analysis of **one** disadvantage of introducing/using CAM **in context**	3
1	Shows knowledge of CAM	1–2	Limited analysis of **two (or more)** disadvantages of introducing/using CAM	2
			Limited analysis of **one** disadvantage of introducing/using CAM	1
0	No creditable content			

A non-contextual answer can only be awarded a maximum of 2 + 2 = 4

Content
Answers could include:

Possible loss of quality in the production of the ice cream – could lead to poor customer satisfaction *(GI makes and sells high quality ice cream).*
Possible loss of perceived quality *as the business loses it's 'handmade' badge.*
Cost of introducing the technology *($10 000 extra FC costs per month).*
Damage to the relationship with the *five skilled workers*.
Loss of skills *(GI employs five skilled workers).*
Reliability of the machinery *(GI do not have the money to repair it – as seen in their need to raise $50 000 form venture capitalists).*
Need for training/retraining *as the employees are already trained in handmaking ice-cream.*

ARA

Question	Answer	Marks
1(d)	**Recommend which of the two venture capital offers Tom and Amy should accept. Justify your answer.**	**11**

Knowledge and Application (4 marks)	Marks	Analysis and Evaluation (7 marks)	Marks
		A justified recommendation, for Tom and Amy, which venture capital offer they should accept based on a balanced argument.	7
		A recommendation, for Tom and Amy, which venture capital offer they should accept based on a balanced argument.	6
		A balanced argument based on one or both venture capital offers with evaluative comments	5
Shows understanding of one or both venture capital offers	3–4	Two sided argument(s) based on one or both venture capital offers	4
		One sided argument based on one venture capital offer	3
Shows knowledge of venture capital	1–2	Limited analysis of venture capital	1–2

*Justification can come from looking at the advantages **and/or** disadvantages of BOTH offers, or from the advantages **and** disadvantages of the recommended offer.*

Answers could include:

Offer 1

Loss of control – 51% equity given away – are Tom and Amy willing to give up so much?
Ease of distribution – should allow easier national expansion
Marketing knowledge and expertise – again should allow easier expansion

Offer 2

Lower equity stake required – Tom and Amy would keep overall control of the business
Use of CAM will reduce costs of expansion – may further lower BE point and increase profit margin
Experience of Rebecca in project management and ops man – very important for expansion.

ARA

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)(i)</td><td>

Define the term ‘profit margin’ (line 5).

<table>
<tr><th>Knowledge</th><th>Marks</th></tr>
<tr><td>A correct definition</td><td>2</td></tr>
<tr><td>A partial, vague or unfocused definition</td><td>1</td></tr>
<tr><td>No creditable content</td><td>0</td></tr>
</table>

Content

Measure of the profitability (not profit) of a business. Calculated by finding the profit for the year as a percentage of revenue. Proportion of revenue that is profit for the year.

</td><td>2</td></tr>
<tr><td>2(a)(ii)</td><td>

Briefly explain the term ‘above the line promotion’ (line 12).

Award one mark for each point of explanation:

<table>
<tr><td>C</td><td>Example or some other way of showing good understanding</td><td>1 mark</td></tr>
<tr><td>B</td><td>Through a media</td><td>1 mark</td></tr>
<tr><td>A</td><td>Communication/advertising/creating awareness to consumers/customers</td><td>1 mark</td></tr>
</table>

Content

Above The Line promotion is the use of media to promote a business and reach out to the target consumers.
These include conventional media, television and radio advertising, print as well as internet. This is communication that is targeted to a wider spread of audience, and is not specific to individual consumers.

</td><td>3</td></tr>
</table>

Question	Answer	Marks
2(b)(i)	**Refer to Table 2. Calculate the price elasticity of demand for a change in price from $8 to $6 per hour.**	**3**

Mark	Rationale
3 marks	Correct answer with or without working
2 marks	Attempt with correct use of figures
1 mark	Formula
0 marks	No creditable content

Formula:

$$\frac{\text{\% Change in QD}}{\text{\% Change in P}}$$

% change in QD 5/50*100 = 10%
% change in P 2/8*100 = 25%

Answer = (–)0.4

Note: Minus sign not required.

Common incorrect answers

Answer	Mark	Rationale
$\frac{25\%}{10\%} = 2.5$	2	Formula wrong way round
$\frac{10\%}{25\%}$	2	Obvious (implied) knowledge of formula but no attempt to calculate answer (or the attempt is wrong)
$\frac{10\%}{25\%}$ = Inelastic	2	As above
$\frac{5}{2} = 2.5$	1	Candidate missed the % out of the formula (twice)
10% **and/or** 25%	1	No formula or attempt to put % changes in a formula
Inelastic	1	Some understanding but no calculation
$\frac{\text{Change in QD}}{\text{Change in P}}$	0	Formula is wrong – no %
2.5	0	No working

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)(ii)</td><td>

Explain <u>one</u> way in which CT could make use of price elasticity of demand calculations.

<table>
<tr><th>Level</th><th>Knowledge and Application</th><th>Marks</th></tr>
<tr><td>2b (APPAPP)</td><td>Explanation of a way PED could be used in context</td><td>3</td></tr>
<tr><td>2a (APP)</td><td>Identification of a way PED could be used in context</td><td>2</td></tr>
<tr><td>1a (K)</td><td>Shows understanding of the use of PED</td><td>1</td></tr>
<tr><td>0</td><td>No creditable content</td><td>0</td></tr>
</table>

Correct use of an incorrect answer to 1(b)(i) should be fully rewarded (own figure rule –OFR).
No credit for knowledge of PED or formula – already awarded in previous question.

Content
Answers could include:
Can see that cleaning services are price inelastic (OFR).
CT should not reduce their price – they should increase their price back to the original level (or increase it further).
Price is obviously not the most important factor when customers purchase cleaning services.
PED can be used to calculate revenue based on price changes.

</td><td>4</td></tr>
</table>

Question	Answer	Marks
2(c)	**Analyse <u>one</u> advantage and <u>one</u> disadvantage to CT of being an employee-owned business.**	**8**

Level	Knowledge and Application (4 marks)	Marks	Analysis (4 marks)	Marks
2	Shows understanding of employee owned businesses in context	3–4	Good analysis of one (or more) advantage(s) **AND** one (or more) disadvantage(s) of being an employee-owned business **in context**	4
			Good analysis of one (or more) advantage(s) **OR** one (or more) disadvantage(s) of being an employee-owned business **in context**	3
1	Shows knowledge of employee owned businesses	1–2	Limited analysis of one (or more) advantage(s) **AND** one (or more) disadvantage(s) of being an employee-owned business	2
			Limited analysis of one (or more) advantage(s) **OR** one (or more) disadvantage(s) of being an employee-owned business	1

Answers could include:
Context:
- equal ownership
- different skills in cleaning
- each owner may have different personal contacts – cleaning homes
- each owner may have different business contacts to expand into the industrial market.

Advantages:
- working together to solve problems
- economies of scale
- motivation from being owners/sharing profits.

Disadvantages:
- disagreements – who is in control?
- if there is a manager do they have authority
- do the workers have the management skills?
- could be a lack of capital investment
- could lead to slow decision making.

Question	Answer	Marks
2(d)	**Discuss how CT's marketing mix might need to change to target customers in the industrial market.**	**11**

Knowledge and Application (4 marks)	Marks	Analysis and Evaluation (7 marks)	Marks
		Justified evaluation that follows on from a **balanced argument** of change(s) to the marketing mix **in context**	7
		Evaluation that follows on from a **balanced argument** of change(s) to the marketing mix **in context**	6
		A balanced argument based on change(s) to the marketing mix **in context**	5
Shows understanding of the marketing mix in context	3–4	Argument based on change(s) to the marketing mix **in context**	3–4
Shows knowledge of the marketing mix	1–2	Limited analysis of how the marketing mix might change/be changed	1–2
No creditable content			

Content:
Answers could include:

Product – the businesses will expect evening/night-time cleaning – will CT have employees who are willing to do this? Will they expect higher remuneration for anti-social hours? However the essence the service on offer is the same.

Price – need to find out how sensitive the industrial market is to price? Likely to be more price elastic due to being a cost of business. Therefore CT may find themselves in a more competitive market and need to charge lower prices/have lower margin.

May need to move towards below the line promotion – above the line likely to be expensive to target industrial market (except trade magazines). May need to employ sales people to target businesses directly.

Industrial customers are unlikely to come to them (i.e. phone or book on internet) so CT will need to be more proactive in finding customers.