

**JUNE 2002**

**GCE ADVANCED LEVEL**

**MARK SCHEME**

**MAXIMUM MARK : 60**

**SYLLABUS/COMPONENT : 9707/3**

**BUSINESS STUDIES**



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**MARK SCHEME 9707/3 JUNE 2002**

**a) i) SUGGEST POSSIBLE REASONS FOR THE LOW LEVELS OF MOTIVATION OF THE SPORTS TUTORS AT SPORTSWIZE LTD. 4**

Content: Pay levels, short term contracts and lack of security, management style used by owners.

Knowledge and Application
Level Two: Outlines how TWO factors in this case could be causing low motivation 3 – 4 marks
Level One: Just lists factors or outlines ONE factor in this case that could be causing low motivation 1 –2 marks

**ii) DISCUSS HOW THE OWNERS MIGHT IMPROVE MOTIVATION OF THE SPORTS TUTORS 8**

Content: Permanent contract – tied in with Maslow’s security needs, pay levels or method of payment – tied in with Taylor, job enrichment (with examples) – tied in with Herzberg, improved communication and/or participative style of leadership. The appropriateness of the measure(s) selected, to this business, need to be evaluated for high marks.

Possible comments included:

Are permanent contracts too expensive and inflexible for this type of business?

Would long term motivation be increased by higher pay or other pay systems?

Would the main forms of enrichment e.g. teamworking, be applicable to this business which depends on individual tutors skills? etc.

Knowledge and Application	Analysis and Evaluation
	Level Two: Evaluates the likely effectiveness, in this case, of the measures analysed in Level One. 4 – 6 marks.
Level One: States 1 or 2 measures which could improve motivation. 1 – 2 marks	Level One: Analyses in the context of the case how measures taken by owners might be effective. 1 – 3 marks

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**b) i) ANALYSE AND COMMENT UPON THE LIQUIDITY OF THIS BUSINESS 8**

Content: Current Ratio = 1.5 Acid test = 1.28 (accept 1.3)

It seems that there is no liquidity problem – best answers will explain why this is BUT debtors are high (debtor days based on revenue for 4 quarters to 30/6/02 is 83.4 days) and cash is low for a business of this size. This could prove to be a risky position if creditors need to be paid soon and if debtors do not pay due to illness of financial administrator.

Knowledge and Application	Analysis
Level One: Both correct 4 marks One correct and other incorrect 3 marks Attempted but incorrect attempts to calculate ratios 1 - 2 marks	Level One: Assessment made of results and other issues concerned with liquidity in the context of this case. 1 – 4 marks

**ii) EVALUATE TWO WAYS IN WHICH THE BUSINESS COULD IMPROVE ITS CASH FLOW POSITION. 10**

Content: Delay payment to creditors, sell assets, delay purchase of new equipment or lease it, improve credit control – encourage debtors to pay quickly.

Evaluation of these measures in the context of this business:

Creditors may refuse to supply just before summer season is due to start

No new equipment could damage image of the business

Expanding business may not have assets to sell

Debtors should respond to credit control pressure as business can claim illness has prevented chasing up – but undue pressure could discourage further business.

Knowledge and Application	Analysis and Evaluation
	Level Two: Evaluates the measures analysed in level one, in the context of this business 5 – 8 marks
Level One: One or two suggestions for improving cash flow 1 – 2 marks	Level One: Analyses how the measure(s) identified would improve the short term cash position of this business 1 – 4 marks

**c) i) EXPLAIN BRIEFLY HOW THE SALES DATA IN APPENDIX A COULD BE USED TO OBTAIN A SALES FORECAST FOR SPORTWIZE FOR QUARTER 3 IN 2002 4**

Content: Moving average method of identifying the trend and seasonal variations. Obtain moving average by calculating moving 4 period total and divide by 4. Adjust the trend by average seasonal variation. Explanation could be made by referring to the graphical method of extrapolating the trend and visual seasonal adjustments. Other methods of forecasting also acceptable. Award some credit (max. 2 marks) for answers that refer to trend of the data and/or the seasonal variations that exist.

Knowledge and Application
Level One: Candidate displays appropriate awareness of forecasting techniques. 1 – 4 marks

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**ii) TO WHAT EXTENT MIGHT SALES FORECASTS BE USEFUL FOR A BUSINESS SUCH AS SPORTSWIZE LTD.? 8**

Content: Useful as it is a rapidly growing industry with obvious seasonal variations. Such forecasts would reduce risk and uncertainty, aid planning e.g. over staffing and equipment levels and aid cash flow forecasting. BUT how accurate are the forecasts? What external factors could make them inaccurate? New competition would affect the sales of this business. Economic policy changes of government would affect consumer demand and these are difficult to predict.

Knowledge and Application	Analysis and Evaluation
	Level Two: Evaluates the usefulness of sales forecasts for this business 4 - 6 marks
Level One: Lists one or two uses of such forecasts. 1 - 2 marks	Level One: Analyses how such data might be useful for this type of business 1 - 3 marks

**d) ANALYSE THE FACTORS THAT SPORTSWIZE LTD SHOULD CONSIDER BEFORE ACCEPTING THE NEW CONTRACT FROM THE COLLEGE AT \$12 PER STUDENT PER DAY. 8**

Content: Seems to make a loss but full costing may not be appropriate. Variable and fixed costs, contribution made by these classes, will they lead to further business?, is there spare capacity?, will other customers find out about this price and ask for similar reductions?

Knowledge and Application	Analysis
	Level Two: Sound analysis of more than one factor in this decision – which should include the concept of contribution. 4 - 6 marks
Level One: One or two relevant factors listed 1 - 2 marks	Level One: Limited analysis, using some reference to costs for 3 marks, of one or more factors which would influence this decision 1 - 3 marks

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**e) EVALUATE THE IMPACT ON SPORTSWIZE OF THE PREDICTED CHANGES IN GOVERNMENT ECONOMIC POLICY. 10**

Content: Likely to be an income elastic product – tax increases will reduce consumers disposable incomes and affect demand for this type of holiday. Govt. expenditure cuts may affect schools budgets and could reduce the number of school groups. Higher interest rates will reduce chances of loans to pay for new equipment. Higher direct tax on profits will reduce retained profits. BUT the effects will depend on income elasticity, the ability of the business to diversify or adapt it's marketing strategy to attract overseas customers etc.

Knowledge and Application	Analysis and Evaluation
	Level Two: Evaluates the factors which have been analysed in the context of this business 5 – 8 marks
Level One: Lists one or two appropriate effects on business in general. 1 – 2 marks	Level One: Analyses, using appropriate theory, how the measures referred to in the text will impact on this business 1 – 4 marks