

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary and Advanced Level

MARK SCHEME for the November 2004 question paper

9707 BUSINESS STUDIES

9707/02

Paper 2 (Data Response), maximum raw mark 60

These mark schemes are published as an aid to teachers and students, to indicate the requirements of the examination. They show the basis on which Examiners were initially instructed to award marks. They do not indicate the details of the discussions that took place at an Examiners' meeting before marking began. Any substantial changes to the mark scheme that arose from these discussions will be recorded in the published *Report on the Examination*.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes must be read in conjunction with the question papers and the *Report on the Examination*.

- CIE will not enter into discussion or correspondence in connection with these mark schemes.

CIE is publishing the mark schemes for the November 2004 question papers for most IGCSE and GCE Advanced Level syllabuses.

Grade thresholds taken for Syllabus 9707 (Business Studies) in the November 2004 examination.

	maximum mark available	minimum mark required for grade:		
		A	B	E
Component 2	60	39	35	23

The thresholds (minimum marks) for Grades C and D are normally set by dividing the mark range between the B and the E thresholds into three. For example, if the difference between the B and the E threshold is 24 marks, the C threshold is set 8 marks below the B threshold and the D threshold is set another 8 marks down. If dividing the interval by three results in a fraction of a mark, then the threshold is normally rounded down.

November 2004

GCE AS AND A LEVEL

MARK SCHEME

MAXIMUM MARK: 60

SYLLABUS/COMPONENT: 9707/02

BUSINESS STUDIES
Paper 2 (Data Response)

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1 Baljir the Builders

(a) Explain the following terms:

(i) Profit margin [3]

Content: Profit compared with sales expressed as a %. Very dependent on nature of product/industry.

Level 2:	Good understanding	(2-3 marks)
Level 1:	Partial understanding	(1 mark)

(ii) Organisational structure [3]

Content: A diagram (not necessary to refer to) showing the formal channels of communication/authority within a business. Useful for showing span of control and levels of hierarchy, chain of command.

Level 2:	Good understanding	(2-3 marks)
Level 1:	Partial understanding	(1 mark)

(b) Using the network diagram in Fig. 1:

(i) Identify the critical path and project duration [2]

Critical Path = BCDE, duration = 25weeks

1 mark for CP

1 for duration

(ii) Explain the significance of the Critical Path to Baljir [4]

Project duration same as time available specified by Government. No scope for slippage. Essential Baljir uses CP to plan and ensure critical activities are completed on time.

Level 2:	Understanding in context	(2-3 marks)
Level 1:	General understanding of CPA	(1 mark)

OFR APPLIES

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(c) Discuss the likely objectives of the stakeholders in Baljir's business. [8]

Content:

Stakeholders are:

- Government
- Those looking for affordable homes
- Owners of site
- Baljir
- Employees
- Local community
- Suppliers to the project

Only Baljir and the suppliers, and possibly the owners of the land are going to see profit as an objective. More important to Baljir may be security of good income, sound contract. The Government will have cost and political pressures, those seeking housing will want lowest cost. Employees will want secure employment, good wages, conditions.

Baljir likely to be sandwiched between what employees' want, and pressures from Government.

Evaluation could be through discussing the relative importance of various objectives.

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of stakeholders in context of the business (2-3 marks)	Level 2: Good analysis/evaluation of issues in context (3-5 marks)
Level 1: Shows understanding of stakeholders (1 mark)	Level 1: Limited analysis of stakeholders objectives (1-2 marks)

Only A+E Level 1 is available to candidates who discuss only 1 stakeholder (usually shareholders).

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(d) Examine the problems that Baljir might experience from expanding the business [10]

Present management is ad hoc and totally unsuitable for managing major change envisaged.

Work force used to “job production” rather than building lots of houses at one time.

Will be need for more employees, supervisors: recruitment, training, management problems.

Need for finance for greater working capital. Improved stock control as larger quantities of material will be involved.

But a guaranteed contract, and probably reliable customer, therefore less need to market, find new customers.

Prospect of more work longer term?

Context is likely to be the nature of the new contract, the impact of the change on a small business, work force, capital issues.

Evaluation is likely to be justifying which problems are likely to have the biggest effect, or which problems are likely to be the most difficult to manage.

Knowledge and Application	Analysis and Evaluation
<p>Level 2: Shows understanding of problems of expansion in context of the business (3-4 marks)</p>	<p>Level 2: Evaluation of problems of expansion or good analysis in context (3-6 marks)</p>
<p>Level 1: Shows understanding problems of expansion (1-2 mark)</p>	<p>Level 1: Limited analysis of problems (1-2 marks)</p>

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2. Riteon Clothes Ltd.

(a) Explain the following terms:

(i) Capacity utilisation [3]

Content: Measure of efficiency of capital assets e.g. factory calculated.

Output/max capacity and expressed as %. Useful for making comparisons, monitoring.

Level 2:	Good understanding	(2-3 marks)
Level 1:	Partial understanding	(1 mark)

(ii) Direct costs [3]

Content: Costs that are directly related with a particular product or department. Not to be confused with other types of costs.

Level 2:	Good understanding	(2-3 marks)
Level 1:	Partial understanding	(1 mark)

(b) (i) Capital Employed is \$40 million for both years. Calculate Return on Capital employed for both 2003 and 2004 [3]

$$= \text{net profit/capital employed} * 100$$

$$2003 = 10/40 * 100 = 25\%$$

$$2004 = 2/40 * 100 = 5\%$$

3 marks if both right, 2 marks if 1 right, 1 mark for formula, 2 or 1 mark if not expressed as %

(ii) Briefly comment on your results [3]

Drastic reduction from a satisfactory level to one which is unacceptable especially for investors. Due to increases in costs, decline in revenues.

OFR

Level 2:	Good interpretation of ROCE in context	(2-3 marks)
Level 1:	Partial understanding of ROCE	(1 mark)

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- (c) **Discuss sources of information that might help Jennifer make a decision about whether to enter the fashion market.** [8]

Content:

Answer needs to recognise secondary as well as primary

Methods can refer to sources

Sources could include

- Market research reports
- Competitors performance
- Newspapers, Internet
- Questionnaires
- Talking to retailers
- Government publications
- ARA

Important to recognise that questionnaires do not necessarily translate into buying action.

Probably most important to begin with is going to be related to industry developments and perceptions rather than customer perceptions.

Are they qualified to undertake their own (especially primary) research? Research undertaken so far is very weak and unstructured.

Good analysis could recognise strengths and weaknesses of sources.

Evaluation is likely to be recognition of significance of sources.

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of market research in context of the business <p style="text-align: right;">(2-3 marks)</p>	Level 2: Good analysis/evaluation of issues in context <p style="text-align: right;">(3-5 marks)</p>
Level 1: Shows understanding of market research <p style="text-align: right;">(1 mark)</p>	Level 1: Limited analysis of primary and secondary research <p style="text-align: right;">1-2 marks</p>

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- (d) **Assuming Riteon decide to enter the fashion market, evaluate a possible marketing strategy that the company could use** **[10]**

Factors influencing strategy:

Fashion product in risky sector
Youth market could change rapidly
Present market although sluggish is reliable
No experience in market
Existing products (low risk) or new products (high risk)?
What outlets?
Promotion?
Price?

An evaluative answer will have considered the issues and then recommended a course of action that aims to achieve a stated objective within those issues identified.

Context is likely to be the nature of the market and the position of the business.

Evaluation is likely to recommending and justifying in context a marketing strategy.

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of marketing mix in context of the business <p style="text-align: right;">(3-4 marks)</p>	Level 2: Evaluation of strategy or good analysis of marketing issues in context <p style="text-align: right;">(3-6 marks)</p>
Level 1: Shows understanding of marketing mix <p style="text-align: right;">(1-2 marks)</p>	Level 1: Limited analysis of marketing issues <p style="text-align: right;">(1-2 marks)</p>