

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary and Advanced Level

MARK SCHEME for the November 2004 question paper

9707 BUSINESS STUDIES

9707/03

Paper 3 (Case Study), 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 9707/03 (Business Studies) in the November 2004 examination.

	maximum mark available	minimum mark required for grade:		
		A	B	E
Component 3	60	41	38	26

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 A LEVEL

MARK SCHEME

MAXIMUM MARK: 60

SYLLABUS/COMPONENT: 9707/03

BUSINESS STUDIES
Paper 3 (Case Study)



Page 1	Mark Scheme	Syllabus	Paper
	BUSINESS STUDIES – NOVEMBER 2004	9707	3

- (a) Possible answers include: Team working, job enrichment, empowerment, attractive pay schemes e.g. profit sharing. BUT may be difficult as staff numbers are doubling, possible problems with communication, need for effective training of new staff so that they can contribute to the team, will work become less interesting anyway with the new machinery?

	Knowledge and Application	Analysis and Evaluation
Level Two	4-3 marks. Points made are applied to the case.	6-4 marks. Judgement shown in text or conclusions.
Level One	2-1 marks. Knowledge shown.	3-1 marks. Use of theory to explain points made.

- (b)(i) Marks as shown on completed insert

(2 for application; 3 for analysis)

- (ii) As shown on insert. 1 mark for BE and 2 for profit (1 for attempted profit calculation). Allow calculation method too.
- (ii) Possible answers include: Profits rise and so does safety margin (OFR); new market; potential for further growth; economies of scale; BUT break even now very high, dependence on major customer; move away from hand made, fresh foods – will this affect existing business?; potential diseconomies of scale; risks.

	Knowledge and Application	Analysis and Evaluation
Level Two	3 marks. Application of points to case.	7-4 marks. Judgement shown in text or conclusions.
Level One	2-1 marks. Points made are relevant to decision.	3-1 marks. Use of theory to analyse the points made.

- (c)(i) 25% = 2 marks; 1 mark for formula (alternative gearing ratio acceptable).

- (ii) Possible answers include: Long term finance needed – must be long term sources. Loans – but impact on gearing ratio too severe if the only source used (gearing ratio will rise to 50%). Grants – unlikely if not in a development area. Shares – private sources may be difficult; public listing may be too expensive for such a small company. Loss of control if capital raised from shares alone? May be best to opt for a combination of sources.

	Knowledge and Application	Analysis and Evaluation
Level Two	4-3 marks. Suggestions made are applied to case.	6-4 marks. Judgement shown in text or conclusion.
Level One	2-1 marks. Knowledge of sources of finance shown.	3-1 marks. Use of theory e.g. gearing ratio, to explain the impact of different sources.

Page 2	Mark Scheme	Syllabus	Paper
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- (d) Possible answers include: Define depreciation. Could consider both method and the 'speed or rate' of depreciation. Calculations not required. SL easier to calculate. DB gives lower profit to start with – better with an expensive and potentially risky project? The high depreciation offered by DB method might be better – the future value of computer aided machinery and the profitability of the expansion proposal may be uncertain.

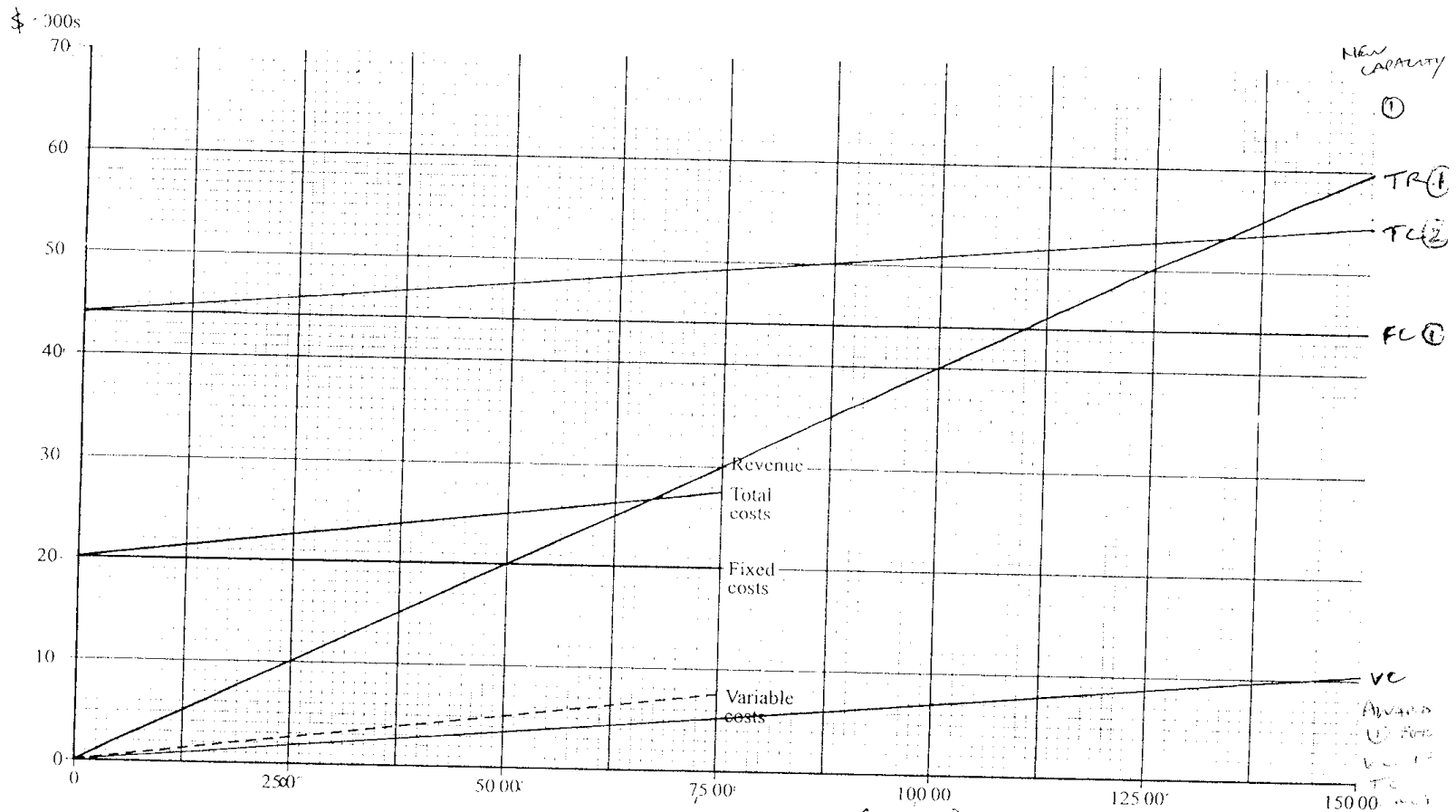
	Knowledge and Application	Analysis and Evaluation
Level Two	4-3 marks. Points made are applied to case.	4-3 marks. Judgement shown in text or conclusions.
Level One	2-1 mark. Knowledge shown about methods and speed of depreciation.	2-1 marks. Use of theory to explain answer.

- (e) Possible answers include: The pricing decision of the supermarket will be important in a competitive market. Also, too low a price will destroy an up-market image that Food2U is trying to establish. Price is not the only factor. The new product needs to be promoted (is the budget adequate?) and the recipes (products) need to be well researched and of good quality. Needs to be an integrated mix to convince consumers. Other factors also important e.g. competitors actions and economic conditions. May depend on competitors actions too.

	Knowledge and Application	Analysis and Evaluation
Level Two	4-3 marks. Points made applied to the case.	8-5 marks. Judgement shown in text or conclusion.
Level One	2-1 marks. Knowledge shown about pricing and other marketing factors.	4-1 marks. Use of theory to support answer e.g. the need for integrated mix and the impact of external constraints.

Q 2a

Break Even = $\frac{FC}{P - VC}$



NEW BREAK EVEN LEVEL OF OUTPUT $\frac{13,333}{(\pm 300)}$ (1)
 NEW LEVEL OF PROFIT \$ $\frac{5500}{(\pm 250)}$ (2)