MARK SCHEME for the October/November 2009 question paper

for the guidance of teachers

9707 BUSINESS STUDIES

9707/21   Paper 21 (Data Response), maximum raw mark 60

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes must be read in conjunction with the question papers and the report on the examination.

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

CIE is publishing the mark schemes for the October/November 2009 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

1 **Mediquip plc**

(a) **Explain the following terms:**

(i) **niche market.** [3]
Content: A small (segment) of a market with different needs to the overall market.

Level 2: Good explanation	(2–3 marks)
Level 1: Partial explanation/understanding	(1 mark)

(ii) **quality.** [3]
Content: The suitability of a product or service to fulfil the function that the customer wants. Quality should be controlled by the business to meet customer needs. Specific standard.

Level 2: Good explanation	(2–3 marks)
Level 1: Partial explanation/understanding	(1 mark)

(b) (i) **Calculate the current ratio for 2009.** [2]
Current assets = 4
Current liabilities = 8
CR = CA/CL = 4/8 = 0.5 Allow 1:2 etc.

Correct answer	(2 marks)
Attempt, or figures identified	(1 mark)

(ii) **The current ratio for 2008 was much higher. Briefly comment on the significance to MQ of the change in the current ratio.** [2]
A fall from 0.5 is disastrous.
0.5 shows severe liquidity problems.
OFR

Knowledge and Application
Level 2: Shows understanding of current ratio in context
(2 marks)
Level 1: Shows understanding of current ratio
(1 mark)

(iii) **With reference to the data provided by the Finance Director, briefly explain one reason for the change in the current ratio.** [2]
Main difference is decline in cash combined with an increase in overdraft. Stocks have partially balanced situation. Both debtors and creditors have moved adversely.
(OFR)

Knowledge and Application
Level 2: Reason explained
(2 marks)
Level 1: A reason identified
(1 mark)

(c) Analyse the possible usefulness of JIT (Just in Time) to MQ. [8]
JIT stock control requires particular conditions. Seems to be already the case for A.
These are met for products A (although rising demand might be an issue) and B (ideal).
Products C and D could be a problem with unreliable suppliers. Find new suppliers?
Modified JIT with some buffer stock?

C and D have, seemingly too much stock but is this reflection of unreliable suppliers?
ARA
Table = Context

Knowledge and Application	Analysis
Level 2: Shows understanding JIT in context of the business (3–4 marks)	Level 2: Good analysis in context (3–4 marks)
Level 1: Shows understanding of JIT/stock control (1–2 marks)	Level 1: Analysis of JIT/stock control (1–2 marks)

(d) Recommend which site (Southwood or Westfield) would be the best for the relocation of MQ. Justify your choice. [10]
Data in table must be used for Level 2.

Site A means workers will not have to travel further. Attractive from the cost point of view but is that so important for this type of product? Critical factor is hygiene, this may be a major problem or add significantly to costs.

Site B means workers will have to travel further. Would they be happy? B is going to be more expensive but in all other respects is more suitable.

ARA

Recommendation should come from balancing these arguments.

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of location in context of the business (3–4 marks)	Level 2: Evaluation (advice) in context, good analysis (3–6 marks)
Level 1: Shows understanding of location (1–2 marks)	Level 1: Analysis of the factors (1–2 marks)

2   Joe's World

(a) Explain the following terms:

   (i) export market   [3]
   Content: Selling products/services to different countries. Usually involves greater risk from exchange rate fluctuations. May involve tariffs, quotas.

Level 2: Good explanation	(2–3 marks)
Level 1: Partial explanation/understanding	(1 mark)

   (ii) net profit.   [3]

   Content: Difference between revenue and costs including expenses. Key indicator of performance of business (npbt, npat).

Level 2: Good explanation	(2–3 marks)
Level 1: Partial explanation/understanding	(1 mark)

(b) (i) Calculate the Accounting Rate of Return (ARR) for the contract with Wind4U.   [2]
   ARR = ((30*4) – 60)/4/60*100 = 25%
   If 40 instead of 30 = 1 mark

Correct answer	(2 marks)
Correct method but wrong answer	(1 mark)

   (ii) Explain the usefulness to Joe of your answer to (i).   [2]
   ARR is often used to compare projects with prevailing interest rate. In this case it is extraordinarily high. Relies on predictions but in this case the windfarm rent would seem to be reliable. Therefore a financially attractive project.

Knowledge and Application
Level 2: Explains usefulness of ARR in context of the business (2 marks)
Level 1: Shows understanding of ARR (1 mark)

   (iii) Explain how exchange rates might influence Joe's decision whether to accept Wind4U's contract.   [4]
   Joe will want to compare the contract with current position. Although he averages $20k from his existing farm, this is for export market, prices will vary. Makes present business unpredictable. He may prefer certainty. No influence is acceptable if argued effectively. ARA

Knowledge and Application
Level 2: Shows understanding of impact of exchange rates in the context of the business (3–4 marks)
Level 1: Shows understanding of exchange rates (1–2 marks)

(c) Briefly examine how Joe might research the market for the Visitor Centre. **[6]**

Primary research, but is it appropriate? Cost?

Secondary research of tourists, other visitor centres, tourism? Overseas windfarms? Usefulness?

ARA

Knowledge and Application	Analysis
Level 2: Shows understanding of market research in the context of the business (3–4 marks)	
Level 1: Shows understanding of market research (1–2 marks)	Level 1: Examination of market research (1–2 marks)

(d) Evaluate how stakeholders other than Joe might react to the proposed contract with Wind4U. **[10]**

Community – environment, secure electricity supplies, safety concerns, mixed feelings.

Local business. Secure supplies, new business during building phase, loss of business to farm.

Suppliers. Loss of farm business.

Government may help reach energy targets.

Shareholders (BOD).

ARA

Evaluation likely to come from attempts to prioritise the influences.

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of stakeholders in the context of the business (3–4 marks)	Level 2: Evaluation of reactions or good analysis in context (3–6 marks)
Level 1: Shows understanding of stakeholders (1–2 marks)	Level 1: Analysis of reactions (1–2 marks)