UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

GCE Advanced Subsidiary Level and GCE Advanced Level

MARK SCHEME for the October/November 2009 question paper for the guidance of teachers

9707 BUSINESS STUDIES

9707/22

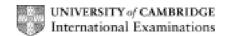
Paper 22 (Data Response), maximum raw mark 60

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1 Phonequip

(a) Explain the following terms:

(i) market segmentation

[3]

Content: Separating a market by predefined properties such as age, gender, location. This means that marketing can be more focused.

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

(ii) just-in-time.

[3]

Content: A method of stock control linked in with production/retail systems that minimises the amount of stock held. Can be part of lean production.

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

(b) (i) Calculate the acid test ratio for 2009.

[2]

Current assets – stocks = 2 Current liabilities = 16 CR = CA/CL = 2/16 = 0.125 1 mark only for CR

Correct answer	(2 marks)
Attempt	(1 mark)

(ii) The acid test ratio for 2008 was 1.5. Briefly comment on the significance to PQ of the change in the acid test ratio. [2]

1.5 was very high and probably inefficient.

0.125 is dangerously low and shows severe liquidity problems.

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

(iii) With reference to the data provided by the Finance Director in Table 1, briefly explain *one* reason for the change in the acid test ratio. [2]

Cash down Overdraft up Stocks up ARA

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

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(c) Using Table 2, analyse the possible usefulness to PQ of improved quality control. [8] Rejection rates for A and C in total are very high.

Rejection rate by customers is very high for A, B and C. This is a major problem as customers are very important and this could lose future orders. Probably quality systems not working.

Some evidence of systems working for A and C but mistakes still getting through to customers.

Rejection rate for D is entirely internal. Quality systems working? But at what cost? Priority would seem to be B, C, A, D

Must use Table 2 for L2

ARA

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

(d) Recommend which site (Eastwood or Northfield) would be the best for the relocation of MQ. Justify your choice. [10]

Data in table must be used for level 2.

Site E rent high, but development costs low. How do these costs balance? Grants? Benefits from being close to existing site but not purpose built. Declining market, developed economy may go against this site.

Site N rent low, but development costs high. Does business have finance for capital investment? Purpose built near to growing market could be a major factor. Issues to do with developing country.

ARA

Simply extracting data does not show understanding/context

Recommendation should come from balancing these arguments

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

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2 Pedro's Fish

(a) Explain the following terms:

(i) market price

[3]

Content: The price that arises from the interaction between buyers and sellers. Likely to be volatile for a product like fish where a lot of factors affect the supply.

Level 2: Good explanation

(2-3 marks)

Level 1: Partial explanation/understanding

(1 mark)

(ii) retained profit.

[3]

Content: Profit after all deductions (cogs, overheads, expenses, tax, interest, dividends). Retained in the business for use by the business. Appears in P&L and balance sheet (cumulative).

Level 2: Good explanation

(2–3 marks)

Level 1: Partial explanation/understanding

(1 mark)

(b) (i) Calculate the payback for the boat conversion investment.

[2]

Net income = 3 per year

Investment = 5

Payback = 5/3 years = 1 2/3 years = 1 year 8 months

If net income = 4 used, max 1 mark.

Correct answer

(2 marks)

Correct method but wrong answer

(1 mark)

(ii) Explain the usefulness to PF of your answer to (i).

Γ2

Useful way of comparing projects. Payback is often used to compare projects when borrowing involved. Lenders prefer projects with shorter paybacks. Difficult to say whether this is suitable or not.

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Knowledge	and Ab	blication

Level 2: Usefulness explained

(2 marks)

Level 1: Shows understanding

(1 mark)

(iii) Explain how changes in interest rates might influence the decision whether to invest in the boat conversion. [4]

Pedro will need to borrow. Higher interest rates increase costs.

Interest rate uncertainty may mean lenders will want shorter payback.

Customers/demand impact (perhaps via currency).

ARA

Knowledge and Application

Level 2: Shows understanding of interest rates in the context of the decision

(3–4 marks)

Level 1: Shows understanding of interest

rates

(1–2 marks)

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(c) Briefly examine sources of finance that might be useful to PF.

[6]

Private limited company so share capital might be limited.

Profits falling so internal sources limited?

Do P&M have other assets they could use e.g. savings, friends, family?

Are they in good position to borrow?

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

(d) If PF decide to use the boat for tourists, evaluate the impact the government might have on PF (apart from interest rates). [10]

Likely ways government could influence:

Safety (fishing and tourism)

Employment law (for assistance)

Grants for investment/tourism

Exchange rates, state of the economy

ARA

Evaluation likely to come from attempts to prioritise the influences.

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