

CAMBRIDGE
INTERNATIONAL EXAMINATIONS

OCTOBER/NOVEMBER 2001

ADVANCED SUBSIDIARY LEVEL

MARK SCHEME

MAXIMUM MARK : 60

SYLLABUS/COMPONENT : 8707/02

BUSINESS STUDIES

Page 1 of 3	Mark Scheme	Syllabus	Paper
	AS Level Examinations - October/November 2001	8707	2

MARK SCHEME 8707/2 NOV. 20001

1.

a) **Define the following terms: i) sales promotion, ii) mass marketing**

i) Promotion - the promotion of a product or service as part of the marketing mix by the use of advertising, branding, sales promotion and public relations.

Level Two: Complete understanding of the concept is demonstrated. 3 marks

Level One: Some understanding of the concept is demonstrated. 1 - 2 marks

ii) Mass Marketing - means devising products or services with mass appeal and promoting them to the whole market and all types of consumer.

Level Two: Complete understanding of the concept is demonstrated. 3 marks

Level One: Some understanding of the concept is demonstrated. 1 - 2 marks

b) **Explain TWO management functions that Joe would have to perform if he expanded the business. 6**

Content: Syllabus refers to: leadership, delegation, recruitment, discipline, communication. Any two of these discussed in context. If answers refer to marketing, production etc., then maximum of 2 marks.

Knowledge and Application	Analysis and Evaluation
	Level Two: Good analysis of the case and the functions that Joe will have to perform. 3 - 4 marks
Level One: Correct recognition of 1 or 2 functions. 1 - 2 marks	Level One: Some application of the case to an analysis of these functions. 1 - 2 marks

c) **Examine the methods Joe could use to research the market for his garden design service. 8**

Content: Use of secondary and primary research. Secondary - see how many other firms were in this segment of the market, growth in construction of larger homes, changes in income levels etc. Primary - contact with potential customers. Using questionnaires, interviews etc. but not specialist research agencies as business is too small.

K and A	A and E
Level Two: Good explanation of at least two possible research methods 3 - 4 methods	Level Two: Relates the methods well to the case and evaluates their appropriateness. 3 - 4 marks
Level One: Some attempt to explain 2 methods or good explanation of one. 1 - 2 methods	Level One: Some attempt to explain in context and to analyse how they should be used in this case. 1 - 2 marks

Page 2 of 3	Mark Scheme	Syllabus	Paper
	AS Level Examinations - October/November 2001	8707	2

d) Assuming that the market research results are positive, would you advise Joe to go ahead with the expansion plans into garden design? Give reasons for your answer using all of the evidence in the case. 10

Content: Yes or No is possible - the marks are given for the quality of the justification.

YES: niche market, may be less competition, higher profit margins, save money on focused not mass marketing. NO: expenses involves, recruiting and employing staff for the first time, need retraining, gives up old customers, risks involved, more responsibilities might not suit Joe.

K and A	A and E
Level Two: Good general points about expansion of businesses. 3 - 4 marks	Level Two: Good evaluation of the data with a clear recommendation given. 4 - 6 marks
level One: Some general references about the expansion of businesses. 1 - 2 marks	level One: Some attempt to refer to text and to analyse expansion in terms of issues in the case. 1 - 3 marks

2.

a) Define the following terms: i) gross profit, ii) batch production

i) Gross profit - sales revenue less cost of sales (before overheads are deducted)

Level Two: Complete understanding of the concept is demonstrated. 3marks

Level One: Some understanding of the concept is demonstrated. 1 - 2 marks

ii) Batch production - manufacture of a limited number of identical products with each item in the batch proceeding through each stage of production together.

Level Two: Complete understanding of the concept is demonstrated. 3 marks

Level One: Some understanding of the concept is shown. 1 - 2 marks

b) i) Calculate for both years the gross profit margin of the business. 3

Gross profit divided by Sales Turnover x 100 - 1 mark for correct formula if all other working is incorrect.

One correct result - 2 marks

Two correct results - 3 marks

2000 = 20% 2001 = 11.1%

ii) Explain how a reduction in prices might have led to an increase in sales revenue yet lower profits. 5

Content: By reducing gross profit margins so much that despite higher sales, total gross profit falls. This can be seen in this case where the gross profit margin falls and lower profits result from the lower price strategy.

K and A	A and E
Level One: Explains the relationship in general terms. 1 - 2 marks	Level One: Analyses how the results of gross profit margin ratio support this explanation. 1 - 3 marks

Page 3 of 3	Mark Scheme	Syllabus	Paper
	AS Level Examinations - October/November 2001	8707	2

c) Examine the factors the business should consider before changing to a method of flow production. 6

Content: Cost of new equipment - is capital available?, space available, impact on workforce, is demand for a standardised product high and consistent enough?

K and A	A and E
Level Two: Explains clearly why these factors are important in such a decision. 3 - 4 marks	
Level One: Identifies relevant factors but not developed or explained. 1 - 2 marks	Level One: Analyses factors in the context of this business. 1 - 2 marks

d) Discuss and recommend a marketing mix that a soft drink manufacturer could use to increase sales profitably in your own country. 10

Content: Promotion, product, price and place (distribution changes). Any reasonable points allowable. For higher marks must refer to the nature of the product and likely market segment and "own country" conditions.

K and A	A and E
Level Two: Explains clearly how these might operate to increase sales for soft drinks. 3 - 4 marks	Level Two: Fully analysed and well justified marketing mix with "own country" references. 4 - 6 marks
Level One: Identifies two marketing mix changes that could be used but not in context of industry or country. 1 - 2 marks	Level One: Some attempt to justify these measures for these products in own country. 1 - 3 marks