Cambridge International AS & A Level

Cambridge Assessment International Education
Cambridge International Advanced Subsidiary and Advanced Level

BUSINESS **9609/22**

Paper 2 Data Response **May/June 2018**

MARK SCHEME

Maximum Mark: 60

Published

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 should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

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This document consists of **17** printed pages.

Cambridge Assessment International Education

Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1: Marks must be awarded in line with: the specific content of the mark scheme or the generic level descriptors for the question the specific skills defined in the mark scheme or in the generic level descriptors for the question the standard of response required by a candidate as exemplified by the standardisation scripts.
GENERIC MARKING PRINCIPLE 2: Marks awarded are always **whole marks** (not half marks, or other fractions).
GENERIC MARKING PRINCIPLE 3: Marks must be awarded **positively**: marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate marks are awarded when candidates clearly demonstrate what they know and can do marks are not deducted for errors marks are not deducted for omissions answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.
GENERIC MARKING PRINCIPLE 4: Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.
GENERIC MARKING PRINCIPLE 5: Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).
GENERIC MARKING PRINCIPLE 6: Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Question	Answer	Marks
1(a)(i)	**Define the term 'private limited company' (line 1).**	**2**

Knowledge	Marks
A correct definition	2
A partial, vague or unfocused definition	1
No creditable content	0

Note: A correct definition must distinguish a private limited company from any other legal structure on the syllabus, i.e. PLC, sole trader, partnership etc.

Content
A business where shares can be sold, but not to the general public. The owners benefit from limited liability. Accounts must be produced but not necessarily published.

ARA

Exemplar	Rationale	Marks
A private limited company has shareholders but does not sell on the stock exchange	Could only be a private limited company	2
It has limited liability and but cannot sell shares to the public	Whilst this could be an LLP that structure is not on the syllabus	2
A business which cannot sell shares to the public	True but this could also be a sole trader or partnership	1
It has limited liability	True but this could also be a PLC	1
Sells shares	True but this could also be a PLC	1
A business that is not owned by the government but can sell shares	All true but could still be a PLC	1
A business that is owned by private individuals not the government	This is true but does not distinguish between any of the legal structures	0
A company that is privately owned	A tautology – just uses words form the question so no understanding	0

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(a)(ii)</td><td>

Briefly explain the term ‘contract of employment’ (line 4).

Award one mark for each point of explanation:

<table>
<tr><th></th><th>Knowledge</th><th>Marks</th></tr>
<tr><td>C</td><td>Example of the content of a contract or some other way of showing good understanding e.g. a sense of security, protection, example of contents</td><td>3</td></tr>
<tr><td>B</td><td>Understanding that is between employer/business and employee</td><td>2</td></tr>
<tr><td>A</td><td>Understanding of legal document/agreement or sets out terms and conditions of employment</td><td>1</td></tr>
</table>

An agreement between an employee and employer

Examples of content:
the business details
the employee’s details
job title or a description of work
start date
how much and how often an employee will get paid
hours of work
holiday entitlement (and if that includes public holidays)
where an employee will be working

</td><td>3</td></tr>
</table>

Question	Answer	Marks
1(a)(ii)	ARA	

Exemplar	Rationale	Marks
An agreement between a worker and an employer that shows the details of their job	All three elements	3
An understanding of what the employer must do and what the employee must do	All three elements – 'must do' covers content just	3
Employee signs a contract with an organisation	A and B	2
It shows what an employee and employer have agreed to at work	A and B only	2
A document stating terms and conditions between HR manager and employee	A mark only	1
An agreement about an employee	A mark only – must have an idea of employee and employer for B mark	1
States what a worker must do in their job	C mark only	1
A contract of employment will include the details of the job, the employees hours of work, pay rate, holidays etc..	Lots of C marks – can only be gained once	1

Question	Answer	Marks
1(b)(i)	**Refer to Fig 1. Identify the age group with the highest average income.** Answer = 40+ (1) (allow 'oldest group') Do not accept 40 (no plus)	1

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)(ii)</td><td>

Refer to Fig 1. Calculate the percentage of the whole sample which would prefer skiing holidays.

Rationale	Marks
Correct answer with or without working or %	2
Correct calculation of number of people who prefer skiing holidays (100) **AND** total number of respondents (300)	1
No creditable content	0

Content

$\frac{100}{300} \cdot 100 = 33.33\%$ (2)

Allow 1 mark for incorrect rounding supported by working (ie 100/300 · 100 = 34)

</td><td>2</td></tr>
</table>

Question	Answer	Marks
1(b)(iii)	**Explain one possible disadvantage to OT of using secondary market research.**	

Level	Knowledge and Application	Marks
2b (APP)	Explanation of a disadvantage to OT of using secondary market research	3
2a (K+K)	Explanation of a disadvantage of using secondary market research	2
1 (K)	Identification of a disadvantage of secondary market research	1
0	No creditable content	0

Note: only mark the best disadvantage written by the candidate is there is more than one.

Content

Not specific to the needs of OT in finding a new market segment
Can be ‘old’ – no date on the research – does it reflect recent changes in the holiday market?
No idea of the quality of the original researcher – is it biased?
Cost – OT may have had to pay for the research
Were the respondents the type of consumer to use the internet?

ARA

Possible disadvantage (K)	Possible context (APP)
Not specific to the needs of the business	OT need to identify a new market segment and this data is not specific to this
	Is the data based on OT’s market of people who book holidays on the internet?
Can be out of date	May not reflect the holiday market as it is now Demand is falling
No knowledge of the quality of the research	May not give OT good data upon which to base their decision of a new market segment

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(c)</td><td>

Analyse the effect on <u>two</u> stakeholders, other than employees, of the decision to make 20% of employees redundant.

<table>
<tr><th>Level</th><th>Knowledge and Application (4 marks)</th><th>Marks</th><th>Analysis (4 marks)</th><th>Marks</th></tr>
<tr><td>2b</td><td>Shows understanding of the effect of the redundancies on two stakeholders of OT</td><td>4</td><td>Developed analysis of the effect of the redundancies on two stakeholders of OT</td><td>4</td></tr>
<tr><td>2a</td><td>Shows understanding of the effect of the redundancies on one stakeholder of OT</td><td>3</td><td>Developed analysis of the effect of the redundancies on one stakeholder of OT</td><td>3</td></tr>
<tr><td>1b</td><td>Shows knowledge of redundancy and stakeholders</td><td>2</td><td>Limited analysis of the effect of redundancies on two stakeholders</td><td>2</td></tr>
<tr><td>1a</td><td>Shows knowledge of redundancy or stakeholders</td><td>1</td><td>Limited analysis of the effect of redundancies on one stakeholder</td><td>1</td></tr>
<tr><td colspan="4">No creditable content</td><td>0</td></tr>
</table>

Note: The business (OT) is NOT a stakeholder

Content:

Customers – worse service leading to a poor experience using OT
Owners – may have less profit as there are high redundancy costs. May eventually have higher profits as the business is more efficient.
Managers – may have less workers to supervise
Banks/lenders – may worry about the future of OT and not lend for any future ventures
Local community – increased unemployment, lower average income
Government – increased unemployment, lower income tax revenue.
Competitors – OT may lose sales so the competitors may gain sales, competitors may gain new trained employees

</td><td>8</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(c)</td><td>ARA
<table>
<tr><th>Example of stakeholders</th><th>Examples of effects on stakeholder</th><th>Examples of application/context</th><th>Examples of possible analysis</th></tr>
<tr><td>Customers</td><td>Unable to book a holiday</td><td>Because the website may be down due the redundancies amongst the technical specialists</td><td>Which means they are frustrated because they cannot use the website and have to search for a holiday elsewhere taking extra time.</td></tr>
<tr><td>Owners</td><td>Less profit</td><td>Dividends (OT is a Ltd) may decrease because of the extra redundancy costs</td><td>Leading to a lower income for the shareholders and a chance that they will want to sell their shares</td></tr>
</table>
</td><td></td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(d)</td><td>

Recommend how OT can use the internet in the marketing mix for holidays aimed at the new target market. Justify your recommendation.

Knowledge and Application (4 marks)	Marks	Analysis and Evaluation (7 marks)	Marks
		A justified recommendation based on a developed argument	7
		A developed recommendation based on a developed argument	6
		A basic recommendation/judgement based on a developed argument	5
Shows understanding of the internet in one or more elements of the marketing mix for OT	3–4	Developed argument based on the use of the internet in one or more elements of the marketing mix for OT	3–4
Shows knowledge of the marketing mix	1–2	Limited analysis of the use of the internet in the marketing mix	1–2
No creditable content			0

Note: Candidates can gain all the marks from use of one element of the marketing mix

Content

Promotion – many ways in which the internet could be used, especially in this target market. Social media, viral marketing etc.. Allow use of specific platforms, such as Facebook, Twitter, Snapchat etc.. Relatively cheap methods of promotion, can show elements of the holiday (ie skiing) in videos etc.., good for targeting this age group and accessible on various devices.
Price – use of dynamic pricing to change prices based on demand, timing etc. Easy to adapt prices and change in short period of time.
Product – Could be tied into the product, so offer free WIFi with holidays, online catalogues and search facilities showing the product portfolio.
Place – can be sold through the internet, reduces labour costs, more likely to be suitable for this target market.

</td><td>11</td></tr>
</table>

Question	Answer	Marks
1(d)	Candidates can also use the 4C's: Cost to the customer Convenience to the customer Customer solution Communication with the customer **To award APP a candidate requires all three elements:** **Marketing mix (the knowledge to back it up)** **The target market (16–30)** **Internet** ARA	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)(i)</td><td>

Define the term ‘consumer’ (line 4).

<table>
<tr><th>Knowledge</th><th>Marks</th></tr>
<tr><td>A correct definition</td><td>2</td></tr>
<tr><td>A partial, vague or unfocused definition</td><td>1</td></tr>
<tr><td>No creditable content</td><td>0</td></tr>
</table>

Content
A person who purchases a good or service for personal use/enjoyment.

A person who uses a good or service

ARA

<table>
<tr><th>Exemplar</th><th>Rationale</th><th>Marks</th></tr>
<tr><td>A consumer is someone who uses a product</td><td>A correct definition</td><td>2</td></tr>
<tr><td>A consumer is someone who buys a good or service</td><td>Mixed up with customer but a partial understanding</td><td>1</td></tr>
<tr><td>One of the two main markets; business and consumer</td><td>Repetition form the case – no understanding</td><td>0</td></tr>
</table>

</td><td>2</td></tr>
</table>

Question	Answer	Marks
2(a)(ii)	**Briefly explain the term 'variable costs' (line 11).** Award one mark for each point of explanation: <table><tr><th></th><th>Knowledge</th><th>Marks</th></tr><tr><td>C</td><td>Example or some other way of showing good understanding (e.g. comparison with fixed costs)</td><td>1</td></tr><tr><td>B</td><td>Link to output changing</td><td>1</td></tr><tr><td>A</td><td>Costs that change (allow vary)</td><td>1</td></tr></table> **Content** A variable cost is one that changes as output changes. For example bread is a variable cost for a sandwich producer because the more sandwiches are made the more bread is needed. <table><tr><th>Exemplar</th><th>Rationale</th><th>Marks</th></tr><tr><td>A cost that changes when a business produces more, for example the material for each umbrella is a variable cost</td><td>All three elements</td><td>3</td></tr><tr><td>Variable costs change with output unlike fixed costs which do not</td><td>The comparison with FC is good enough for the C mark</td><td>3</td></tr><tr><td>Costs that change like wages</td><td>A and C marks only</td><td>2</td></tr><tr><td>Costs like wages and raw materials</td><td>C mark only – do not reward more than once</td><td>1</td></tr></table> ARA	**3**

Question	Answer	Marks
2(b)(i)	**Calculate the total revenue of the order from the large bank (lines 7–12).**	**3**

Rationale	Marks
Correct answer with or without correct working or $	3
Correct calculation of TC	2
Formulae or correct calculation or TVC	1
No creditable content	0

Content
Formula:
Price x quantity = total revenue
OR
Profit = total revenue – total costs, so total costs + profit = total revenue
NB the abbreviation for profit is pi

10 000 · $0.75 = $7500 (TVC) – 1 mark with working
$7500 + $2000 = $9500 (TC) – 2 marks with working
$9500 + $3000 = $12 500 (TR)

Answer = $12 500 (3 marks)

Common answers

Answer	Rationale	Marks
12 500 (no working)	A correct answer	3
(10 000 · $0.75) + $3000 = $10 500	Missed out FC – one error Correct calculation of TVC and then OFR for the final step	2
$10 500 (no working)		0
$2000 + $3000 = $5000	No correct calculation of TVC or TC but OFR for final step	1
$3000	Just used profit figure	0

OFR applies

Question	Answer	Marks
2(b)(ii)	**Explain one reason why UU needs accurate cost data**	**3**

Level	Knowledge and Application	Marks
2b (APP)	Explanation of a use of cost data in context	3
2a (K +K)	Explanation of a use of cost data	2
1 (K)	Identification of a use of cost data	1
0	No creditable content	0

*Note: use of the answer to **Q2(b)(i)** is not required for context, but is an obvious way to contextualise an answer.*

*Correct use of an incorrect answer to **2(b)(i)** should be fully rewarded (own figure rule –OFR)*

Content

To set prices (e.g. the bank order has a 33.33% profit margin), so that UU does not make a loss
To plan resources (land, labour ,capital)
To make good business decisions
To ensure the business makes profit
To calculate break even

ARA

Reason (K)	Possible context (APP)
To set prices	Each design may have different costs so the data is important to set the price
	The bank order has a 33.33% mark up – this may be the standard cost-plus pricing strategy of UU
To plan resources	To plan what resources they need to make each *batch* of products *(the context here is batch as they are made by batch production)*
To make good business decisions	So that UU can decide how best to grow the business *(i.e. Options 1 or 2)*
	To know which design of Umbrella is most profitable

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(c)</td><td>

Analyse <u>two</u> advantages to UU of using batch production.

Level	Knowledge and Application (4 marks)	Marks	Analysis (4 marks)	Marks
2b	Shows understanding of two advantages to UU of batch production	4	Developed analysis of two advantages of batch production in context	4
2a	Shows understanding of one advantage to UU of batch production	3	Developed analysis of one advantage of batch production in context	3
1b	Shows knowledge specifically of batch production	2	Limited analysis of two advantages of batch production	2
1a	Shows knowledge of production processes	1	Limited analysis of one advantage of batch production	1
No creditable content				0

Note: give candidates the BOD if they have made a point which could apply to more than just batch production.

Content

Cheaper than job production – important because UU produces 20 000 of each consumer design
Allows for economies of scale which can reduce the unit cost of each umbrella (currently $0.75 for the bank order)
Quicker than job production – important because of the 10 day delivery guarantee.
Allows for more flexibility than flow production – important because of the range of designs that UU have.
ARA

Examples of advantages	Examples of application/context	Examples of possible analysis
More standardised quality than job production	20 000 made of each design	Making a batch allows UU to make sure each umbrella is the same quality so that customers are not disappointed, losing customer loyalty and repeat sales.
More flexible than flow production	Business orders are all unique with the logo on	So UU can make the designs to the customers specification, leading to increase customer satisfaction and more sales.

</td><td>8</td></tr>
</table>

Question	Answer	Marks
2(d)	**Recommend which of the two options for growth UU should use. Justify your answer.**	**11**

Knowledge and Application (4 marks)	Marks	Analysis and Evaluation (7 marks)	Marks
		A justified recommendation based on a developed argument of **both** options	7
		A developed recommendation based on a developed argument of **both** options	6
		A basic recommendation/judgement based on a developed argument of **both** options	5
Shows understanding of Option 1 for growth **and** Option 2 for growth	4	Developed argument based on the impact on UU of using Option 1 **and** Option 2	4
Shows understanding of Option 1 for growth **or** Option 2 for growth	3	Developed argument based on the impact on UU of using Option 1 **or** Option 2	3
Shows knowledge of business growth	1–2	Limited analysis of Option 1 **and** Option 2	2
		Limited analysis of Option 1 **or** Option 2	1
No creditable content			0

Content
Option 1

Risk of growth through franchise – may lose control of brand and image.
Only the consumer market – UU still retain control of the business market – but could poor image reduce this market too?
Less risk to UU because they have lower costs which will be covered by the fee and royalties. If the franchisee makes a profit UU gets royalties, however if the franchisee makes a loss UU are not affected.
Could this reduce UU's consumer market through the internet (ie not localised).

Option 2

Increasing the range of the product portfolio reduces risk.
Could allow UU to expand into areas where Umbrellas are not appropriate or used.
Requires external finance which is likely to be expensive for UU and increase costs.
Very competitive market – low profit margins
Growing market – Boston Matrix starting out as a problem child (?).

ARA