

Cambridge  
International  
AS & A Level

**Cambridge International Examinations**  
Cambridge International Advanced Subsidiary and Advanced Level

**BUSINESS**

**9609/23**

Paper 2 Data Response

**May/June 2018**

**1 hour 30 minutes**

No Additional Materials are required.

**READ THESE INSTRUCTIONS FIRST**

An answer booklet is provided inside this question paper. You should follow the instructions on the front cover of the answer booklet. If you need additional answer paper ask the invigilator for a continuation booklet.

Answer **all** questions.

The businesses described in this question paper are entirely fictitious.

The number of marks is given in brackets [ ] at the end of each question or part question.

This document consists of **4** printed pages and **1** Insert.

## 2

## 1 Delivery To You (DTY)

DTY is a public limited company in the tertiary sector. DTY delivers packages for businesses in country A. DTY's main customers are large online retail businesses. These businesses pay DTY to deliver products to customers who have purchased them online.

DTY has recently published its income statement for 2017 (see Table 1).

**Table 1: Extract from DTY's income statement for 2017**

5

|                            | \$m |
|----------------------------|-----|
| Revenue                    | 45  |
| Cost of sales              | 30  |
| Gross profit               | 15  |
| Expenses, interest and tax | 10  |

10

The Board of Directors decided that retained earnings should be at a high level of 80% of profit for the year.

The Board of Directors is keen to expand the business by delivering packages within a new country. This planned expansion will require 10 delivery drivers. To aid the recruitment process, the human resource manager has created a person specification (see Table 2).

15

**Table 2: Person specification for a delivery driver**

| Characteristic     | Essential                                          | Desirable                                      |
|--------------------|----------------------------------------------------|------------------------------------------------|
| Qualifications     | Driving licence                                    | A-Level or high school standard                |
| Physical           | Good eyesight<br>Fit enough to lift heavy packages | None                                           |
| Experience         | None                                               | Experience of dealing with customers/consumers |
| Personal qualities | Confident<br>Good communicator                     | Friendly                                       |

20

25

There are a number of factors that will determine the country chosen for the expansion. The Board of Directors has asked the marketing manager to carry out some primary and secondary market research so that it is able to make a good decision.

- (a) (i) Define the term 'tertiary sector' (line 1). [2]
- (ii) Briefly explain the term 'human resource manager' (line 15). [3]
- (b) (i) Calculate the retained earnings for DTY in 2017. [2]
- (ii) Explain **two** possible effects of DTY's Board of Directors' decision to have a high level of retained earnings. [4]

**3**

- (c) Analyse **two** methods of recruitment that DTY could use for the new delivery drivers. [8]
- (d) Discuss methods of market research that DTY could use to help the directors decide which country to expand into. [11]

---

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge International Examinations Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at [www.cie.org.uk](http://www.cie.org.uk) after the live examination series.

Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.

## 2 Pencil Pushers (PP)

Jacqueline is a sole trader who owns PP. She set up the business six months ago to manufacture pencils. The market for pencils in PP's country is separated into the niche market of supplying pencils for schools and the mass market. When she started the business, Jacqueline decided to target the mass market. Table 3 shows Jacqueline's initial market research into the two markets.

5

**Table 3: Initial market research data**

| Mass market                                                                                                                                                                                                                                       | Schools market                                                                                                                                                                                         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>10 producers are in the market. Each producer has 7% – 12% market share.</li> <li>Sold through many retailers, including online retailers.</li> <li>Branding and reputation are very important.</li> </ul> | <ul style="list-style-type: none"> <li>One producer is in the market with 100% market share.</li> <li>Sold directly through e-commerce.</li> <li>Branding and reputation are not important.</li> </ul> |

10

PP is establishing a good reputation as a reliable supplier of pencils to shops that sell stationery. However, as a relatively new business, PP has had to use penetration pricing to build up a customer base. She sells each pack of five pencils for \$1. PP holds a large inventory so that orders can be delivered quickly.

15

PP employs four full-time production workers in one factory. The production process is capital intensive. Production data for the factory is in Table 4.

**Table 4: Production data for PP's factory**

20

|                                |                |
|--------------------------------|----------------|
| Maximum capacity per month     | 75 000 pencils |
| Monthly fixed costs            | \$8 500        |
| Variable costs per 100 pencils | \$3            |

PP has no trade payables but Jacqueline is concerned about the cash flow of PP. The latest cash flow forecast showed that PP might run out of cash in three months' time. This is mainly because the shops which sell PP's pencils demand 30–60 days to pay for their orders.

25

- (a) (i) Define the term 'capital intensive' (line 19). [2]
- (ii) Briefly explain the term 'niche market' (lines 2–3). [3]
- (b) (i) Calculate how many packs of pencils PP must sell to break even each month. [4]
- (ii) Explain how Jacqueline could use your answer to **2(b)(i)**. [2]
- (c) Analyse **two** methods Jacqueline could use to improve PP's cash flow. [8]
- (d) Evaluate Jacqueline's decision to target the mass market. [11]