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Cambridge International AS & A Level

Cambridge Assessment International Education
Cambridge International Advanced Subsidiary and Advanced Level

BUSINESS **9609/22**

Paper 2 Data Response **October/November 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.

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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.

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Question	Answer	Marks
1(a)(i)	**Define the term 'venture capital'.**	**2**

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

Content

One mark for an understanding that this is a source of finance (from the business perspective) or an investment (from the entrepreneurs perspective)
Source of finance/investment/equity/funds

One mark for an understanding that this is risky, or for a risky purpose – **do not allow 'risk' on its own as all investments have risk**
Provided for high risk/risky/riskier/new businesses/high growth/innovations

Exemplar	Marks	Rationale
A source of finance provided to high risk businesses.	2	Both elements
Investment into a new business	2	Both elements
The equity into a high growth business	2	Both elements
A risky source of finance	2	'Risky' is just enough for high risk – don't accept risk on its own
An investment with some risk	1	Investment is worth a mark, but 'some risk' is true of all investments
High risk capital	1	'Capital' is a repeat of the question
The money provided to a business when it starts up	1	'starts up' is good enough (new business), but 'money provided' is not enough (source of finance)
The capital provided for a venture	0	A tautology

Question	Answer	Marks
1(a)(ii)	**Briefly explain the term 'internal growth'.**	**3**

Award one mark for each point of explanation:

	Knowledge	Marks
C	Example **(an example needs to be specific – not the same as items in the A mark)** or some other way of showing good understanding, for example AKA organic growth or less risky than external growth, higher cost, higher profitability etc.	1
B	Explanation of internal (in terms of growth), – using own funds, reinvesting etc. or in terms of NOT merging/taking over another business (do not allow **not external**)	1
A	Explanation of growth – expansion, getting bigger, opening more stores/factories/outlets etc.	1

Content

When a business expands its own operations using internal sources of finance. Known as organic growth.

Exemplar	Marks	Rationale
Organic growth by using the businesses profits to open more shops.	3	'Organic growth' – C mark 'using businesses own profits' – B mark 'to open more shops' – A mark
Expansion by reinvesting profits as opposed to a merger.	2	Expansion is A mark Reinvesting is B mark 'As opposed to merger' is also the B mark
Growth by using the businesses own funds. It is also known as organic growth.	2	B and C mark – do not award 'growth' as the A mark because it is part of the term/in the question.
Expansion by opening more stores or selling more products. This growth will lead to more sales and the business being able to grow even more in the future.	1	This is only about growth – A mark, but many times which only gives one mark
Growth by using internal funds	0	Tautology

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

Refer to Table 1. Calculate the current ratio as at 31 December 2017.

Rationale	Marks
Correct answer with or without correct working	2
Formulae or identification of correct figures	1
No creditable content	0

Content

$\frac{CA}{CL}$

$\frac{200}{40}$

= 5:1 (accept 5)

Answer	Rationale	Marks
5 (no working)	A correct answer	2
CL/CA = 40/200 = 1:5	Formula is wrong way round but correct figures have been identified	1
1:5 (no working)	No formula or correct identification of correct figures.	0
40/200 = 0.2	Correct figures have been identified	1
0.2 (no working)	No formula or correct identification of correct figures.	0

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

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

Analyse two limitations to Thamir of using published accounts to decide whether to invest in CL.

<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 rowspan="2">2</td><td>Shows understanding of two limitations of CL’s published accounts</td><td>4</td><td>Developed analysis to Thamir of two limitations of using CL’s published accounts</td><td>4</td></tr>
<tr><td>Shows understanding of one limitation of CL’s published accounts</td><td>3</td><td>Developed analysis to Thamir of one limitation of using CL’s published accounts</td><td>3</td></tr>
<tr><td rowspan="2">1</td><td>Shows knowledge of two limitations of published accounts</td><td>2</td><td>Limited analysis of two limitations of using published accounts</td><td>2</td></tr>
<tr><td>Shows knowledge of one limitation of published accounts</td><td>1</td><td>Limited analysis of one limitation of using published accounts</td><td>1</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table>

OFR
Do not accept answers which state that the published accounts could be ‘wrong’ without a valid reason why they might be wrong.
Analysis must be about the limitations to Thamir (as a potential owner/investor) to achieve level 2.
Non-contextual answers can only gain 2 + 2 = 4 marks

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

Question	Answer	Marks
1(b)(ii)	**Content** Historical – Published accounts are backward looking and will not tell Thamir much about the current state of the business for his investment. Is the business worth the same now as it was when the accounts were published. Also these accounts are from 31/12/17 – so half a year out of date. Need something to compare the accounts with – this is only one year, so there is nothing to compare with for Thamir to know if CL is improving or not. Need other businesses within industry to compare – no other businesses in the clothing industry to compare CL's accounts with. Non-financial assets are not included, e.g. human resources, management. May not give the full picture to Thamir. Only includes quantitative values Income statement only shows totals for the year Statement of financial position only a snapshot of a business at one point in time Market is dynamic and changes will not be reflected in the historical account **Accept reference to what is missing from the given accounts (fig 1) as contextual (even though the data might appear in the published accounts), e.g. no inventory shown**	

Examples of knowledge of a limitation of using published accounts	Examples of application/context	Examples of possible limited analysis	Examples of developed analysis in context
Can be window dressed (K)	CL may have postponed payment of bills until after 31st December (APP)	This could make the current assets appear to be worth more (AN)	Which may lead Thamir to pay more for 50% of the business (DEV)
May not reflect changes (K)	Which may make Thamir's 50% investment in shares (APP)	a risky investment (AN)	and may lead to him losing his money (DEV)
May not show customer loyalty (K)	The $760 000 value of the non-current assets may not include the customer loyalty (APP)	The business may be worth more than Thamir thinks it is (AN)	Which may lead Thamir to not invest in the business. (DEV)

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

Explain two qualities that Thamir is likely to need as a successful entrepreneur.

Level	Knowledge and Application	Marks	Annotations
2	Explanation of two characteristics in context	4	APP + APP
	Explanation of one characteristic in context	3	APP
1	Explanation of two characteristics	2	K + K
	Explanation of one characteristic	1	K
0	No creditable content	0	

Content

Risk taker
Leadership skills
Energy and enthusiasm
Self-belief and confidence
Persistence and drive
Ability to work under pressure
Creativity and imagination
Multi-skilled
Dynamic

ARA

Knowledge of entrepreneurial quality needed for success (K)	Possible context (APP)
Risk taker	To invest venture capital
Leadership skills	To become a 50% owner/manager in CL
Energy and enthusiasm	To take on managerial roles such as advice on JIT
Drive	Because he was driven to build up an international retail business

</td><td>4</td></tr>
</table>

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Question	Answer	Marks
1(d)	**Discuss which stakeholders of CL are likely to be most affected by the introduction of Just in Time (JIT) inventory management.**	**11**

Knowledge and Application (4 marks)	**Marks**	**Annotation**	**Analysis and Evaluation (7 marks)**	**Marks**	**Annotation**
			A justified judgement based on a developed argument of at least two stakeholders	7	EVAL + EVAL + EVAL
			A developed judgement based on a developed argument of at least two stakeholders	6	EVAL + EVAL
			A basic judgement based on a developed argument of at least two stakeholders	5	EVAL
Shows understanding of **two** stakeholders in context	3–4	APP + APP	Argument based on the impact on **two** stakeholders of CL of just in time in context	4	DEV + DEV
Shows understanding of **one** stakeholder in context		APP	Argument based on the impact on **one** stakeholder of CL of just in time in context	3	DEV

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(d)</td><td>
<table>
<tr><th>Knowledge and Application (4 marks)</th><th>Marks</th><th>Annotation</th><th>Analysis and Evaluation (7 marks)</th><th>Marks</th><th>Annotation</th></tr>
<tr><td>Shows knowledge of two stakeholders</td><td rowspan="2">1–2</td><td>K + K</td><td>Limited analysis on two stakeholders of CL of the introduction of just in time</td><td>2</td><td>AN + AN</td></tr>
<tr><td>Shows knowledge of one stakeholder</td><td>K</td><td>Limited analysis on one of CL stakeholder of the introduction of just in time</td><td>1</td><td>AN</td></tr>
<tr><td colspan="4">No creditable content</td><td colspan="2">0</td></tr>
</table>

Content
Suppliers – at the moment the suppliers deliver once a month but just in time will require more regular deliveries (perhaps daily). This is likely to increase the costs of the supplier which they may or may not pass on to CL. Will CL need to change to closer suppliers?
Current owners – could require significant investment. May also be savings to be made on the large warehouse that may not be needed any more.
Employees – May be made redundant if they work in the warehouse – alternatively their job may change to distribution rather than warehouse.
Customers – used to next day delivery, but this may not be possible if clothes have to be ordered from suppliers after they have been ordered by the customer.
Thamir – Condition of him investing in CL
</td><td></td></tr>
</table>

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

ARA

An example of how an answer could develop and how it should be annotated.

<table>
<tr><th>K</th><th>APP</th><th>AN</th><th>DEV</th><th>EVAL</th></tr>
<tr><td>Suppliers</td><td>only deliver inventory to CL once a month and will need to increase this.</td><td>JIT might mean that the suppliers would need to deliver goods every day increasing their costs.</td><td>Which could decrease the suppliers profit.</td><td rowspan="2">Overall the supplier will be more affected by the introduction of JIT than the customer (EVAL).

Because the supplier may not have enough other customers to stop supplying CL, whereas the customer is likely to have greater choice of where to buy clothes from. (EVAL EVAL).

However this depends on how much extra time the customer will have to wait for delivery (EVAL EVAL EVAL).</td></tr>
<tr><td>Customers</td><td>Expect their deliveries the next day if ordered by 18.00.</td><td>With JIT this may no longer be possible and the customer may have to wait longer.</td><td>Which could make the customer have to order from elsewhere.</td></tr>
</table>

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

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Question	Answer	Marks
2(a)(i)	**Define the term 'primary sector' (line x).**	**2**

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

Content
The sector of business that deals directly with natural resources/the extraction of natural resources.

One mark for showing understanding that it is about extraction
Extraction, mining, fishing, farming/agriculture

One mark for showing understating that it is to do with raw materials
Raw materials, natural resources etc.

Exemplar	Mark	Rationale
Extraction of raw material	2	Both elements covered
Acquiring natural materials	1	'Acquiring' is not enough
Farming the land	1	No idea of the raw material
Mining things out of the ground	1	No idea of the raw material

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

Briefly explain the term ‘flow production’ (line x).

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, for example (high) use of machinery/capital, homogeneous (exactly the same) products, allows greater economies of scale</td><td>3</td></tr>
<tr><td>B</td><td>Allows greater/faster production/high volume/mass – i.e. can produce more</td><td>2</td></tr>
<tr><td>A</td><td>Use of an assembly line, continuous, produced in stages, one after another</td><td>1</td></tr>
</table>

Content
Flow production – the continuous movement of products through the production process. When one task is finished the next task starts.

Flow production ia also known as mass production and uses production lines e.g. car manufacturer. High volume of similar items.

<table>
<tr><th>Exemplar</th><th>Mark</th><th>Rationale</th></tr>
<tr><td>Mass production on an assembly line, for example car manufacture</td><td>3</td><td>All three elements</td></tr>
<tr><td>Continuous production of many goods, often using high levels of capital</td><td>3</td><td>All three elements</td></tr>
<tr><td>Making large amounts of the same product</td><td>2</td><td>B and C marks</td></tr>
<tr><td>Flow production is mass producing products on an assembly line</td><td>2</td><td>A and B marks</td></tr>
<tr><td>When goods are made one after another in a continuous production line</td><td>1</td><td>Only A mark</td></tr>
</table>

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

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Question	Answer	Marks
2(b)(i)	**Refer to Table 2. Calculate the market size of WW's target market.**	4

Rationale	Marks
Correct answer, with or without working or million (m)	4
Attempt at the final answer using correct figures	3
Calculation of one correct figure (can be OFR)	2
Formula* **or** identification of correct figures	1
No creditable content	0

**Formula can be implied from the use of the correct figures*

Content

$$\frac{\text{Target market}}{\text{Population}} \cdot 100$$

80% purchase bottled water = 80% of 60m = 48m **(2)**

15% of 48m take part in sport = 15% of 48m = 7.2m **(4)**

Answer = 7.2m **(4)**

Answer	Rationale	Marks
7.2	Correct answer	4
15% of 48m = 0.72	An error in final stage	3
80% of 60m = 48m	One correct figure with working	2
15% of 60m = 9	Missed out a stage, but a correct calculation based on their own figure	2
60/80 = 0.075m 0.075/15 = 0.005m	Incorrect way to calculate a percentage but identification of correct figures	1
48m (no working)	An incorrect answer with no working to back it up	0
0.72 (no working)	An incorrect answer with no working to back it up	0

Question	Answer	Marks
2(b)(ii)	**Explain one benefit to WW of targeting a niche market.**	2

Level	Knowledge and Application	Marks
2	Explanation of a benefit in context	2
1	Explanation of a benefit	1
0	No creditable content	0

Content

Less competition – *this needs to have some reference to the target market to become application*
More brand loyalty
Cheaper market research
Higher potential profit margins
Less risk
Less initial investment
Lower cost for marketing/promotion
Higher price can be charged

ARA

Knowledge of a benefit of targeting a niche market (K)	Possible benefit in context (APP)
Less competition	There are no brands currently targeting bottled water to sportspeople
More brand loyalty	Because consumers may feel that WW is line with their beliefs about sport and water
Cheaper market research	WW only needs to research 7.2m not 60m people

Question	Answer	Marks
2(c)	**Analyse how having two of Goleman's emotional intelligence competencies could help the person selected fulfil the role of sales manager.**	8

Level	Knowledge and Application (4 marks)	Marks	Analysis (4 marks)	Marks
2b	Shows understanding of how **two** of Goleman's competencies could help the person selected fulfil the role of sales manager	4	Developed analysis of the use of **two** of Goleman's competencies could help the person selected fulfil the role of sales manager	4
2a	Shows knowledge of how **one** of Goleman's competencies could help the person selected fulfil the role of sales manager	3	Developed analysis of the use of **one** of Goleman's competencies could help the person selected fulfil the role of sales manager	3
1b	Shows knowledge of **two** of Goleman's competencies	2	Limited analysis of the use of **two** of Goleman's competencies in recruitment	2
1a	Shows knowledge of **one** of Goleman's competencies	1	Limited analysis of the use of **one** of Goleman's competencies in recruitment	1
0	No creditable content			

NOTE. the analytical impact can be on any stakeholder of the business Candidates must show that they know the specific competencies by name

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(c)</td><td>
Content
<u>Self-awareness</u> i.e. Emotional self-awareness; accurate self-assessment; self-confidence.
e.g. needs to be able to recognise own skills and develop these within the sales role at WW.

<u>Self management</u> – Self-control, trustworthiness, conscientiousness, adaptability, focus on achievement and initiative.
e.g. Needs time management skills. Ability to work on own.

<u>Social awareness</u> – Empathy, understanding of the organisation of the business, focus on customer service.
e.g. needs understand how to negotiate

<u>Social skills/management</u> – Influencing others, leadership, developing others, communication skills, conflict management, teamworking and collaboration.
e.g. ability to work as a team. Good communicator
<table>
<tr><th>Examples of Golman's competencies</th><th>Examples of application/ context</th><th>Examples of possible limited analysis</th><th>Examples of possible developed analysis</th></tr>
<tr><td>Self-awareness</td><td>The sales manager must be willing to develop their own skills</td><td>If the manager is self-aware then they know which skills to develop in themselves so that WW can have a successful launch into the market.</td><td>This is likely to lead to WW being able to dominate the niche market and make more profit.</td></tr>
<tr><td>Social skills/ management</td><td>Important because the sales manager must lead a team of sales-people</td><td>This is likely to make the sales team more effective</td><td>Which could lead to WW establishing the brand and gaining a high market share.</td></tr>
</table>
</td><td></td></tr>
</table>

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Question	Answer	Marks
2(d)	**Recommend suitable promotional methods for the launch of WW bottled water. Justify your recommendation.**	**11**

Knowledge and Application (4 marks)	**Marks**	**Annotation**	**Analysis and Evaluation (7 marks)**	**Marks**	**Annotation**
			A justified recommendation based on a developed argument of at least two promotional methods in context	7	EVAL + EVAL + EVAL
			A developed recommendation based on a developed argument of at least two promotional methods in context	6	EVAL + EVAL
			A basic recommendation based on a developed argument of at least two promotional methods in context	5	EVAL
Shows understanding of **two** promotional methods in context	3–4	APP + APP	Argument based on **two** promotional methods in context	4	DEV + DEV
Shows understanding of **one** promotional method in context		APP	Argument based on **one** promotional method in context	3	DEV

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Question	Answer	Marks
2(d)		

Knowledge and Application (4 marks)	Marks	Annotation	Analysis and Evaluation (7 marks)	Marks	Annotation
Shows knowledge of **two** promotional methods	1–2	K + K	Limited analysis of **two** promotional methods	2	AN + AN
Shows knowledge of **one** promotional method		K	Limited analysis of **one** promotional method	1	AN
No creditable content					

NOTE – allow different types of advertising (i.e. radio and TV) as separate promotional methods.

Content
Promotional methods could include:
- Television
- Radio
- Cinema
- Sponsorship
- Newspapers
- Sales promotions
- Packaging
- Direct marketing
- Digital marketing
- Email
- Trade fairs
- Merchandising
- Telesales
- Personal selling

Analysis and evaluation should focus on the contextual elements, including:
- WW only sold in country X – suggests a national method is more suitable
- WW is targeted at a niche market – mass marketing method may not be appropriate and may be too expensive
- WW is a new business – no idea of the promotional budget. Cheaper/below the line methods are likely to be more suitable
- WW seems to have an ethical stance (no harmful chemical) so certain no-environmental methods might be unsuitable (i.e. newspaper)
- 7.2m market – although niche this is still a sizable market to reach – might suggest mass marketing methods are more suitable

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Question	Answer	Marks
2(d)	WW selling through wholesalers and retailers, so industrial marketing methods (i.e. direct sales etc.) will be needed as well as any consumer marketing. To what extent will retailers and wholesalers promote the product for WW? No other competitors, so WW might be able to start a ‘slow’ promotional campaign – less urgency at launch New sales manager suggests the importance of direct sales	

ARA

An example of how an answer could develop and how it should be annotated.

<table>
<tr><th>K</th><th>APP</th><th>AN</th><th>DEV</th><th>EVAL</th></tr>
<tr><td>Advertising</td><td>WW is targeting a large number of people (7.2m) and advertising is likely to hit a mass market.</td><td>The advertising may make people aware of WW and increase sales.</td><td>Leading to an increase in profit for WW.</td><td rowspan="2">Overall advertising is a better method of promotion for the launch of WW. (EVAL)

Because WW need to build up a market share quickly more than they need to reduce costs. (EVAL EVAL)

However this depends on WW having the cashflow to afford advertising for the launch. (EVAL EVAL EVAL)</td></tr>
<tr><td>Below the line promotion</td><td>WW is a new business and BTL promotion has a low cost.</td><td>This is good for WW because they are unlikely to have much cash when launching the bottled water.</td><td>Which is more likely to allow WW to spend on other more important areas of the business.</td></tr>
</table>

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