Cambridge International AS & A Level

Cambridge Assessment International Education
Cambridge International Advanced Subsidiary and Advanced Level

BUSINESS **9609/23**

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.

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

Cambridge International is publishing the mark schemes for the October/November 2018 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

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.

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

Define the term 'limited liability' (line 2).

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

Content
Any two of the following points:
continuity, separate legal identity; shareholders; losses limited to investment/no personal risk.

Exemplar	Marks	Rationale
A business whose shareholders/owners are not personally responsible for any business debts	2	Both elements met
A business whose owners personal assets will not be used to pay business debts	2	Both elements met
A business whose owners have a separate legal identity to the business	2	Both elements met
A shareholder can only lose the capital invested in the business	2	Both elements met
Limited liability for business debts	2	No reference to owners/ shareholders
When a business fails, the owners are not responsible for the debts	1	Limited liability not explained clearly
A company is protected from financial loss	0	Not a correct definition
No responsibility for business debts	0	Too vague

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

Question	Answer	Marks
1(a)(ii)	**Briefly explain the term 'competitive pricing strategy' (line 3).**	**3**

Award one mark for each point of explanation:

	Knowledge	Marks
C	Example or some other way of showing good understanding	1
B	Same price or lower or higher	1
A	Price is based on what the competition changes	1

C mark is dependent on A and B being present

Content
Basing the price on what the competition is charging. This may be to set the same price as the competition or, in most cases, to set a lower price than the competition.

Exemplar	Marks	Rationale
Basing the selling price in relation to the prices of competitors; e.g. a lower price to attract customers	3	All elements met
To identify competitors prices and then pricing lower to achieve more sales	3	All elements met
To set your prices lower than competitor businesses	2	A and B
To set your prices in relation to competitor businesses	1	No example or extended understanding
A way of pricing your good to make it more attractive to purchase	0	Too vague

Question	Answer	Marks
1(b)(i)	**Using Table 2 and any other relevant information, calculate the break even number of kilometres each month for vehicle Z.**	3

Rationale	Marks
Correct answer, with or without working or units	3
Correct use of figures (price – variable costs per unit)	2
Formula*	1
No creditable content	0

* Can be implied by use of figures
** Can be in the form of a diagram

Content

Fixed costs or fixed cost or TR = TC** Contribution price – variable costs per unit

Contribution = \$0.50 – \$0.30 = \$0.20

$$\frac{\$380}{\$0.20}$$

= 1900 kilometres

Rationale	Marks
1900 (with or without Km) (ignore miles, etc.)	3
\$500 / \$0.25 = 2000 (OFR for different car)	2
Fc / contribution	1
\$2000	0
380 / 0.3 = 1266.66 (common but incorrect)	0

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

Explain <u>one</u> reason why break even analysis might <u>not</u> be useful to OT when choosing the new vehicle.

Level	Knowledge and Application	Marks
2b APP	Explanation of a limitation of break-even analysis in context	3
2a(K + K)	Explanation of a limitation of break-even analysis out of context	2
1(K)	Identification of a limitation of break-even analysis	1
0	No creditable content	0

Content:

Costs could change, especially with a new car which could have accidents, etc.
Not just about the costs – quality/safety may be more important
How long will each car last – what is the maximum mileage?
Does not take into account profitability – If many miles above breakeven are completed then Car Y might be far more profitable

Reason (K)	Possible context (K+K)	APP	Marks
Other factors in addition to cost	E.g. a non-financial factor	E.g. boot space (in a car)	3
Costs could change	Which make the VC and FC change	So on the price of replacement car parts may be important	3
Does not take into account profitability	May breakeven but not make a profit	As Car Y may be more profitable if more miles are covered As the VC is lower	3

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

Question	Answer	Marks
1(c)	**Analyse <u>two</u> external sources of finance OT could use for the new taxi.**	8

Level	Knowledge and Application (4 marks)	Marks	Analysis (4 marks)	Marks
2b	Shows understanding of two external sources of finance in context	4	Developed analysis of two external sources of finance in context	4
2a	Shows understanding of one external source of finance in context	3	Developed analysis of one external source of finance in context	3
1b	Shows knowledge of two external sources of finance	2	Limited analysis of two external sources of finance	2
1a	Shows knowledge of one external source of finance	1	Limited analysis of one external source of finance	1
0	No creditable content			

Content

- New shareholders – OT is a private limited company (LTD/LLC) so can sell shares but not to the general public. Loss of control of business.
- Bank loan – can be secured or not on the car
- Leasing – good option for a car as lower maintenance costs, etc.
- Debt factoring
- Hire purchase
- Grant/government finance

ARA

Only award out of context answers (e.g. mortgage with L1 marks) Do not accept 'buy the new taxi' for app as in the question

Question	Answer				Marks
1(c)	**Examples of external sources**	**Examples of application/ context**	**Examples of possible analysis**	**Examples of possible developed analysis**	
	New shareholders	In addition to the two brothers	Less future profits	Means they have to work harder	
	Bank loan	For $30 000	Fixed monthly repayments	Help with budgeting	
	Leasing	saves $30 000 up front costs	Don't need up-front investment	No loss on control	
	HP	Don't need the full $30 k up front	Don't need up-front investment	Own the car at the end of the period	

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

Using Table 2 and any other relevant information, recommend the market segment OT should target. Justify your recommendation.

<table>
<tr><th>Knowledge and Application (4 marks)</th><th>Marks</th><th>Analysis and Evaluation (7 marks)</th><th>Marks</th></tr>
<tr><td></td><td></td><td>A justified recommendation based on a developed argument of the suitability of one market segment in Table 1</td><td>7</td></tr>
<tr><td></td><td></td><td>A developed recommendation based on a developed argument of the suitability of one market segment in Table 1</td><td>6</td></tr>
<tr><td></td><td></td><td>A basic recommendation based on a developed argument of the suitability of one market segment in Table 1</td><td>5</td></tr>
<tr><td>Shows understanding of two market segments in context</td><td>4</td><td>Argument of targeting two market segments in context</td><td>4</td></tr>
<tr><td>Shows understanding of one market segment in context</td><td>3</td><td>Argument of targeting one market segment in context</td><td>3</td></tr>
<tr><td>Knowledge of two or more market segments</td><td>2</td><td>Limited analysis of targeting two market segments*</td><td>2</td></tr>
<tr><td>Knowledge of one market segment</td><td>1</td><td>Limited analysis of targeting one market segment</td><td>1</td></tr>
<tr><td colspan="3">No creditable content</td><td>0</td></tr>
</table>

Using Table 1 and any other relevant information, recommend the market segment OT should target. Justify your recommendation.

* If only one segment has been identified, any repeat AN's should be marked as repeat so the counters show the correct analysis level

Contents

Shoppers:
Short journeys – low revenue
Long time period for journeys – could be higher number of customers
No brand loyalty – taxis will need to be conveniently placed
Taxis will need to be driving around to pick up customers – will increase variable costs

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

Question	Answer	Marks
1(d)	Commuters Longer journey than shoppers– more revenue Shorter journeys than night time Two relatively short periods for travel – could be too busy to cover with 5 taxis (or 1 taxi if only new taxi is used) High brand loyalty – quality of service will be important Booked in advance – so can plan other work (airports etc..) around pre-booked journeys Night-time Longest journeys – highest potential revenue Anti-social hours (and possibly anti-social behaviour) Longer period for travel than commuters Some brand loyalty – could build up a good reputation and perhaps lead to telephone bookings	

Question	Answer	Marks
2(a)(i)	**Define the term 'unique selling point' (line3).**	2

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

Content
Different/differentiates about a business's product/service
Factor or feature

Exemplar	Mark	Rationale
A factor that differentiates a product from its competitors	2	Full definition
A feature that differentiates a product service	2	Implied competition
A feature that sets you apart from competitors	2	Full definition
A special feature of your product	1	No relation to competition

Question	Answer	Marks
2(a)(ii)	**Briefly explain 'Herzberg's motivation theory' (line 18).**	3

Award one mark for each point of explanation:

	Knowledge	Marks
C*	Example or some other way of showing good understanding	1
B	Explaining hygiene and motivating: e.g. may motivate but will not demotivate **and** e.g. do not motivate but may demotivate	1
A	Identifying 'Hygiene factors' **and** 'motivating factors'	1

*C is dependent on A and B being identified

Content
Herzberg's two factor theory;
Motivating factors – may motivate but will not demotivate, e.g. unexpected bonuses, praise, etc.
Hygiene factors – do not motivate but may demotivate, basic pay, health and safety, etc.

Exemplar	Mark	Rationale
Hygiene factors which may demotivate and motivation which does not demotivate but motivates e.g. a bonus (is a motivator)	3	A, B and C covered
Hygiene factors which may demotivate and motivation which does not demotivate but motivates	2	A and B only
Motivating factors and hygiene factors	1	Identification not explanation
Keeping your staff happy and motivated	0	Too vague / one only
Bonuses are a motivating factor	0	No A or B
Herzbergs theory is about motivation/ two factor theory	0	TV

Question	Answer	Marks
2(b)(i)	**Using Table 1, calculate the total annual profit for FC.**	3

Rationale	Marks
Correct answer with or without correct working	3
Two correct percentage calculations	2
Correct percentage calculation or formula	1
No creditable content	0

Content

Formula = TR – TC **OR** Profit margin · annual revenue
2% of $50 000 = $1000
1% of $70 000 = $700
15% of $200 000 = $30 000

Total profit = $31 700

Rationale	Marks
31 700 with or without working	3
1000 + 700 + 30 000	2
100 + 70 + 3000 = 3170 (one error – decimal place)	2
OFR (formula wrong way round)	2
18% of 320 000 = 57 600	1
Revenue · profit margin	1

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

Explain <u>one</u> problem that Min might have in allocating costs.

Level	Knowledge and Application	Marks
2b APP	Explanation of a problem of allocating costs in context	3
2a (APP)	Explanation of a problem of allocating costs no context	2
1 (K)	Identification of a problem of allocating costs	1
0	No creditable content	0

Content
- May make one aspect of the business seems unprofitable – however all interdependent
- If a fish is bad/inedible – which part of the business should have the waste as a cost?
- The restaurant and kitchen are part of the same building – how can costs be separated (utilities, rent etc.)
- The kitchen staff could easily be seen as restaurant staff
- Min makes the decision – what qualifies her as able to allocate the costs?

ARA

Problem (K)	Possible context (APP)	Explanation (APP APP)
Separating similar costs	How would which costs apply to each area	E.g. kitchen or restaurant
May not have appropriate skills	To be able to know which costs are in which area	E.g. is the chef secondary or tertiary

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

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

Analyse <u>two</u> appropriate ways that could be used to measure the size of FC.

<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 two ways to measure the size of FC</td><td>4</td><td>Developed analysis of two ways to measure the size of FC</td><td>4</td></tr>
<tr><td>2a</td><td>Shows understanding of one way to measure the size of FC</td><td>3</td><td>Developed analysis of one way to measure the size of FC</td><td>3</td></tr>
<tr><td>1b</td><td>Shows knowledge of two ways to measure the size of a business</td><td>2</td><td>Limited analysis of two ways to measure the size of a business</td><td>2</td></tr>
<tr><td>1a</td><td>Shows knowledge of one way to measure the size of a business</td><td>1</td><td>Limited analysis of one way to measure the size of a business</td><td>1</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table>

Note profit is NOT an acceptable measurement of size – 0 marks
FC is a sole trader so share price is a non-contextual answer

Content
Revenue – whole business or individual part. What to compare it to?
Number of customers – only applicable to the restaurant
Number of employees
Capital employed – kitchen, restaurant, boat, etc.
Market share

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</table>

Question	Answer				Marks
2(c)	**Examples of ways**	**Examples of application/ context**	**Examples of possible analysis**	**Examples of possible developed analysis**	
	Revenue	31 700	Can compare with other businesses	So that Min/potential investors can judge the success of the business	
	Number of customers	Who buy fish and chips	Will tell Min the size of her market	However is only applicable to the restaurant	
	Number of employees	E.g. 3 chefs	Shows Min how much growth year on year	However does not take into account productivity/ automation	
	Capital employed	Kitchen, boat and restaurant	Can show growth over years	Which may attract future investors/ allow bank loan	
	Market share	Met growth objective	Satisfied initial objectives	However the market may have shrunk	

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

Evaluate which stakeholders might be most affected by the change in FC's business objective from growth to profit maximisation.

<table>
<tr><th>Knowledge and Application (4 marks)</th><th>Marks</th><th>Analysis and Evaluation (7 marks)</th><th>Marks</th></tr>
<tr><td></td><td></td><td>A justified judgement based on a developed argument of at least two stakeholders</td><td>7</td></tr>
<tr><td></td><td></td><td>A developed judgement based on a developed argument of at least two stakeholders</td><td>6</td></tr>
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<tr><td>Shows understanding of how two or more stakeholders in context</td><td>4</td><td>Arguments based on how two or more stakeholders may be affected by the change in business objectives in context</td><td>4</td></tr>
<tr><td>Shows understanding of how one stakeholder in context</td><td>3</td><td>Argument based on how one stakeholder may be affected by the change in business objectives in context</td><td>3</td></tr>
<tr><td>Shows knowledge of two stakeholders</td><td>2</td><td>Limited analysis of how two stakeholders may be affected by the change in business objectives</td><td>2</td></tr>
<tr><td>Shows knowledge of one stakeholder</td><td>1</td><td>Limited analysis of how one stakeholder may be affected by the change in business objectives</td><td>1</td></tr>
<tr><td colspan="3">No creditable content</td><td>0</td></tr>
</table>

Content

Min – as owner this may increase her personal income – better lifestyle, etc.
Employees – may see a reduction in costs as a way of increasing profits, so may lead to redundancies or cut in wages, longer hours, etc.
Customers – may be lower quality standards (costs cutting) and prices may increase
Government – increase in taxation revenue
Local community – increased trade, noise, etc.
Competitors – May see a chance to compete with lower prices, attracted by higher profit margins.

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