

**MARK SCHEME for the October/November 2009 question paper
for the guidance of teachers**

9707 BUSINESS STUDIES

9707/22

Paper 22 (Data Response), maximum raw mark 60

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.

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1 Phonequip

(a) Explain the following terms:

(i) market segmentation [3]

Content: Separating a market by predefined properties such as age, gender, location. This means that marketing can be more focused.

Level 2: Good explanation	(2–3 marks)
Level 1: Partial explanation/understanding	(1 mark)

(ii) just-in-time. [3]

Content: A method of stock control linked in with production/retail systems that minimises the amount of stock held. Can be part of lean production.

Level 2: Good explanation	(2–3 marks)
Level 1: Partial explanation/understanding	(1 mark)

(b) (i) Calculate the acid test ratio for 2009. [2]

Current assets – stocks = 2

Current liabilities = 16

CR = CA/CL = 2/16 = 0.125

1 mark only for CR

Correct answer	(2 marks)
Attempt	(1 mark)

(ii) The acid test ratio for 2008 was 1.5. Briefly comment on the significance to PQ of the change in the acid test ratio. [2]

1.5 was very high and probably inefficient.

0.125 is dangerously low and shows severe liquidity problems.

Knowledge and Application
Level 2: Shows understanding of acid test ratio in context (2 marks)
Level 1: Shows understanding of acid test ratio (1 mark)

(iii) With reference to the data provided by the Finance Director in Table 1, briefly explain *one* reason for the change in the acid test ratio. [2]

Cash down

Overdraft up

Stocks up

ARA

Knowledge and Application
Level 2: Reason explained (2 marks)
Level 1: A reason identified (1 mark)

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(c) Using Table 2, analyse the possible usefulness to PQ of improved quality control. [8]

Rejection rates for A and C in total are very high.

Rejection rate by customers is very high for A, B and C. This is a major problem as customers are very important and this could lose future orders. Probably quality systems not working.

Some evidence of systems working for A and C but mistakes still getting through to customers.

Rejection rate for D is entirely internal. Quality systems working? But at what cost?

Priority would seem to be B, C, A, D

Must use Table 2 for L2

ARA

Knowledge and Application	Analysis
Level 2: Shows understanding QC in context of the business (3–4 marks)	Level 2: Good analysis in context (3–4 marks)
Level 1: Shows understanding of QC (1–2 marks)	Level 1: Analysis of QC (1–2 marks)

(d) Recommend which site (Eastwood or Northfield) would be the best for the relocation of MQ. Justify your choice. [10]

Data in table must be used for level 2.

Site E rent high, but development costs low. How do these costs balance? Grants? Benefits from being close to existing site but not purpose built. Declining market, developed economy may go against this site.

Site N rent low, but development costs high. Does business have finance for capital investment? Purpose built near to growing market could be a major factor. Issues to do with developing country.

ARA

Simply extracting data does not show understanding/context

Recommendation should come from balancing these arguments

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of location in context of the business (3–4 marks)	Level 2: Evaluation (advice) in context, good analysis (3–6 marks)
Level 1: Shows understanding of location (1–2 marks)	Level 1: Analysis of the factors (1–2 marks)

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2 Pedro's Fish

(a) Explain the following terms:

- (i) **market price** [3]
 Content: The price that arises from the interaction between buyers and sellers. Likely to be volatile for a product like fish where a lot of factors affect the supply.

Level 2: Good explanation	(2–3 marks)
Level 1: Partial explanation/understanding	(1 mark)

- (ii) **retained profit.** [3]
 Content: Profit after all deductions (cogs, overheads, expenses, tax, interest, dividends). Retained in the business for use by the business. Appears in P&L and balance sheet (cumulative).

Level 2: Good explanation	(2–3 marks)
Level 1: Partial explanation/understanding	(1 mark)

- (b) (i) **Calculate the payback for the boat conversion investment.** [2]

Net income = 3 per year

Investment = 5

Payback = $5/3$ years = $1 \frac{2}{3}$ years = 1 year 8 months

If net income = 4 used, max 1 mark.

Correct answer	(2 marks)
Correct method but wrong answer	(1 mark)

- (ii) **Explain the usefulness to PF of your answer to (i).** [2]
 Useful way of comparing projects. Payback is often used to compare projects when borrowing involved. Lenders prefer projects with shorter paybacks. Difficult to say whether this is suitable or not.

Knowledge and Application	
Level 2: Usefulness explained	(2 marks)
Level 1: Shows understanding	(1 mark)

- (iii) **Explain how changes in interest rates might influence the decision whether to invest in the boat conversion.** [4]

Pedro will need to borrow. Higher interest rates increase costs.

Interest rate uncertainty may mean lenders will want shorter payback.

Customers/demand impact (perhaps via currency).

ARA

Knowledge and Application	
Level 2: Shows understanding of interest rates in the context of the decision	(3–4 marks)
Level 1: Shows understanding of interest rates	(1–2 marks)

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(c) Briefly examine sources of finance that might be useful to PF. [6]

Private limited company so share capital might be limited.
 Profits falling so internal sources limited?
 Do P&M have other assets they could use e.g. savings, friends, family?
 Are they in good position to borrow?

Knowledge and Application	Analysis
Level 2: Shows understanding of sources in the context of the business (3–4 marks)	
Level 1: Shows understanding of sources (1–2 marks)	Level 1: Analysis of sources (1–2 marks)

(d) If PF decide to use the boat for tourists, evaluate the impact the government might have on PF (apart from interest rates). [10]

Likely ways government could influence:
 Safety (fishing and tourism)
 Employment law (for assistance)
 Grants for investment/tourism
 Exchange rates, state of the economy

ARA

Evaluation likely to come from attempts to prioritise the influences.

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of government influences in the context of the business (3–4 marks)	Level 2: Evaluation of influences or good analysis in context (3–6 marks)
Level 1: Shows understanding of government influences (1–2 marks)	Level 1: Analysis of influences (1–2 marks)