

MARK SCHEME for the October/November 2006 question paper

9707 BUSINESS STUDIES

9707/02 Paper 2 (Data Response), maximum raw mark 60

This mark scheme is published as an aid to teachers and students, 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.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes must be read in conjunction with the question papers and the report on the examination.

The grade thresholds for various grades are published in the report on the examination for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses.

- CIE will not enter into discussions or correspondence in connection with these mark schemes.

CIE is publishing the mark schemes for the October/November 2006 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

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1. Hilltop Services

a) Explain the following terms:

i) **sole trader (line 2)**

[3]

Content: Single owner, unincorporated therefore unlimited liability. Usually small businesses e.g. decorators, window cleaners ARA

Level 2: Good understanding	(2-3 marks)
Level 1: Partial understanding	(1 mark)

ii) **democratic leadership style (line 7)**

[3]

Content: Leadership style that involves participation by subordinates. Can be motivating but time consuming. Not suitable e.g. for army. Contrasts with autocratic, etc. ARA

Level 2: Good understanding	(2-3 marks)
Level 1: Partial understanding	(1 mark)

(b)(i) Using data from the case calculate the price elasticity of demand for Farad's sales of petrol

[3]

Ped = %change in demand / %change in price = $4/20/5 = 4$ or $20\% / 5\% = 4$

Correct answer	(3 marks)
Correct method, calculation mistake	(1-2 marks)

(b)(ii) Comment on your answer to (b)(i)

[3]

Product is elastic which means that reducing prices may be a useful strategy. But ped unreliable – sales depend on factors other than price and sales fall more likely to be due to competitors behaviour.

Level 2: Comment in context	(2-3 marks)
Level 1: General comment	(1 mark)

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(c) Analyse the human resource management issues that Farad should consider if he decides to convert the car repair building into a shop.

[8]

Content:

Family atmosphere might be destroyed – loyal workforce.

What happens to mechanics? Loss of skills.

Some staff in favour, others against.

Extra workload on existing petrol sales staff.

Who becomes manager? Selection problems? Promote from within?

Management of change. Involve workforce in decision?

ARA

Analysis is likely to be demonstrated by considering the proposal both from Farad's and the employee's points of view.

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of hrm issues involved in the decision in context of the business (3-4 marks)	Level 2: Good analysis of hrm issues in context (3-4 marks)
Level 1: Shows understanding of hrm issues (1-2 marks)	Level 1 Analysis of the hrm issues or weak analysis in context (1-2 marks)

(d) Discuss methods of market research that Farad might use to help him to decide whether to open the shop.

[10]

Content

Needs information on likely consumer views on petrol sales and relating to shop.

Two types of customer: passing trade, locals.

Secondary data could help with trends in petrol sales, local population trends, buying patterns, travel patterns, economic performance, competition. ARA

Primary research likely to be needed for what people might like to buy in the shop, how they might use it, helping produce cash flow forecasts, petrol buying decisions, likely customer profile, what other similar petrol stations sell.

ARA

Evaluation:

Likely to come from some recognition of the limitations of the research, or through demonstrating what methods might be used in particular circumstances.

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of methods/issues in context of the business (3-4 marks)	Level 2: A justified recommendation, or some other demonstration of evaluative skills in context (3-6 marks)
Level 1: Shows understanding of market research/information needed (1-2 marks)	Level 1 Analysis of market research methods or information needs (1-2 marks)

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2. Eldorado Restaurants

(a) Define the following terms:

(i) sales revenue (line 6)

[3]

Content: The income from the process of selling. For an individual product it is quantity sold times price. Costs need to be deducted to obtain profit. Can be used as a target. ARA

Level 2: Good understanding	(2-3 marks)
Level 1: Partial understanding	(1 mark)

(ii) manager (line 13)

[3]

Content: Someone who has authority to carry manage the work of subordinates including planning, control etc. ARA

Level 2: Good understanding	(2-3 marks)
Level 1: Partial understanding	(1 mark)

(b)(i) Using the figures from Table 1, calculate the missing value of X in Table 2:

Table 2

	2005	2006 forecast
Gross profit margin	X	44%
Net profit margin	15%	4%

GPM = gross profit/ sales X 100 = $\frac{1}{2}$ x 100 = 50%

Correct answer	(2 marks)
Correct method, calculation mistake	(1 mark)

(ii) Using your answer to (b)(i) and other information, comment on trends in ER's profits.

[4]

Although GP has risen, NP has fallen, mainly due to rise in wages.

Both GPM and NPM have fallen, while sales have risen suggesting a healthy business from the sales point of view but less control over costs.

Level 2 Comment on profit in context	(3-4 marks)
Level 1 Superficial comments or comments not in context	(1-2 marks)

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(c) Discuss how Zed could improve quality in ER's restaurants.

[8]

Content:

(Candidates are not expected to discuss TQM which is an extension topic, but it can be rewarded if candidates use that in their answers.)

Evidence of need for quality is inconsistency of performance between restaurants in both service and food.

Need to identify cause of problem. Staff? Training? Procedures? Standards?

Is delegation working effectively?

Quality control could come about through setting clearer standards, responsibilities. Involving workforce in decisions, better monitoring, sampling.

Ideas for monitoring (mystery customers, more regular visits etc should be rewarded as analysis if methods are realistic in this context).

ARA

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of quality in context of the business (3-4 marks)	Level 2: Good analysis of issues in context (3-4 marks)
Level 1: Shows understanding of quality (1-2 marks)	Level 1: Weak analysis of quality in context or general analysis (1-2 marks)

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(d) Recommend changes to the current marketing mix that might be needed for the restaurant at the international airport. Justify your answer.

Content:

Different target market. Existing market is constant, local, while airport market is transient.

How long do travellers have for a meal? What will they want?

Different product: evening out vs refreshment on a journey.

Current marketing relies on word of mouth, quality and value for money. Unlikely to apply to airport customers.

Employees at airport will want quick, cheap meal. What would travellers want? Do business customers want the same as tourists?

How much competition will there be at the airport? Impact on process.

ARA

Evaluation is likely to come either from justifying which are the critical differences between existing and new mix or justifying a new marketing mix.

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of the marketing mix in context of the business (3-4 marks)	Level 2: Evaluation of changes to marketing mix in context (3-6 marks)
Level 1: Shows understanding of the marketing mix (1-2 marks)	Level 1: Analysis of changes to marketing mix (1-2 marks)