

**MARK SCHEME for the May/June 2008 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 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.

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.

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

CIE is publishing the mark schemes for the May/June 2008 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

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## 1 East Farm Wildlife Park

- (a) (i) Content: Type of legal business structure, a development of a sole trader in which two or more people are owners, usually with an agreement between them. The usual form of partnership has unlimited liability. Most common businesses that are partnerships are professional businesses such as lawyers, solicitors, accountants etc. Ownership is essential for 3 marks. [3]

Level 2: Good understanding	<b>(3–2 marks)</b>
Level 1: Partial understanding	<b>(1 mark)</b>

- (ii) Content: Finance that is generated within a business such as retained profits, proceeds from sale of assets, reducing working capital by internal means. Not Share capital. Owners capital BOD. [3]

Level 2: Good understanding	<b>(3–2 marks)</b>
Level 1: Partial understanding	<b>(1 mark)</b>

- (b) Factors causing high labour turnover:

- Low pay
- Boring jobs
- Too demanding
- Autocratic management
- Seasonal nature of work

Any solution would need to address some, or all these issues

Planned expansion may address some of them, but there probably needs to be more, in particular the management style. [8]

<b>Knowledge and application</b>	<b>Analysis and evaluation</b>
<b>Level 2</b> Shows understanding of solutions/factors in context of the business <b>(4–3 marks)</b>	<b>Level 2</b> Evaluation of possible solutions in context <b>(4–3 marks)</b>
<b>Level 1</b> Shows understanding of factors contributing to labour situation <b>(2–1 marks)</b>	<b>Level 1</b> Analyses the data <b>(2–1 marks)</b>

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- (c) Need for information on:
- What visitors want
  - What competitors offer
  - What prices to charge
  - How to attract visitors
  - Relevant financial information
  - Etc.

ARA

[4]

<b>Knowledge and Application</b>
<b>Level 2</b> Applies understanding in context of the business <b>(4–3 marks)</b>
<b>Level 1</b> Shows understanding of information needed <b>(2–1 marks)</b>

- (d) (i) Annual cash inflow \$0.25m  
Total inflow =  $0.25 \times 5 = 1.25$   
Net cash flow =  $1.25 - 1 = 0.25 = 0.05$  per year.  
ARR =  $0.05/1 = 5\%$

[4]

Correct answer	<b>(4 marks)</b>
Right approach, mistakes	<b>(3 marks)</b>
Correct data identified	<b>(2 marks)</b>
Formula/attempt	<b>(1 Mark)</b>

- (ii) OFR carry through from (i) may lead to candidate recognising conflict between what ARR and Payback show – good analysis.

Depends on whether optimistic or pessimistic.

Optimistic: fairly quick payback, high rate of return

Pessimistic: Long payback, low rate of return.

On average would seem reasonable financially.

Other factors include:

- Possibility of more interesting work
- Permanent jobs mean more qualified workforce
- Limited sources of finance
- Very high risk for a family business

Any recommendation acceptable, but needs to be convincing.

[8]

<b>Knowledge and application</b>	<b>Analysis and evaluation</b>
<b>Level 2</b> Applies understanding of issues involved in context <b>(4–3 marks)</b>	<b>Level 2</b> Evaluation (advice) in context <b>(4–3 marks)</b>
<b>Level 1</b> Shows understanding of issues involved in decision <b>(2–1 marks)</b>	<b>Level 1</b> Analysis of the factors <b>(2–1 marks)</b>

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## 2 Ganmor Cars

- (a) (i) Content: A business, usually large, that is based in one country and operates in other countries. Often benefit from economies of scale. [3]

Level 2: Good understanding	<b>(3–2 marks)</b>
Level 1: Partial understanding	<b>(1 mark)</b>

- (ii) Content: The fall in unit/average cost (NB not cost) as the scale of production (NB not the level of production) increases. Various types including buying, marketing, financial, managerial. Internal and external. [3]

Level 2: Good understanding	<b>(3–2 marks)</b>
Level 1: Partial understanding	<b>(1 mark)</b>

- (b) Content:

International agreements may mean targets and constraints for industries.  
 Green taxes will affect consumers' behaviour and change car buying decisions.  
 Governments can regulate car manufacturers in terms of emissions, fuel consumption.  
 Legal impositions.  
 Grants etc.  
 ARA

[8]

<b>Knowledge and Application</b>	<b>Analysis and Evaluation</b>
<b>Level 2</b> Shows application of intervention in the context of the business <b>(4–3 marks)</b>	<b>Level 2</b> Good analysis in context <b>(6–3 marks)</b>
<b>Level 1</b> Shows understanding of government intervention <b>(2–1 marks)</b>	<b>Level 1</b> Limited analysis of influences <b>(2–1 marks)</b>

- (c) Lean production – production systems that aim to increase efficiency through reduced waste, improved quality, improved systems.

Lean production could include JIT, quality circles, empowerment, less waste, less duplication, TQM.  
 Need change to cope with new market and change in production method.  
 Higher volumes will mean quality, efficiency more difficult to monitor/manage.

Need to improve efficiency to reduce costs – highly competitive market.  
 Will still enable specialisation for traditional cars and maintain quality.  
 ARA

[6]

<b>Knowledge and Application</b>	<b>Analysis and Evaluation</b>
<b>Level 2</b> Shows understanding of lean production in the context of the business <b>(4–3 marks)</b>	
<b>Level 1</b> Shows understanding of lean production <b>(2–1 marks)</b>	<b>Level 1</b> Description shows some limited analysis <b>(2–1 marks)</b>

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(d) Cars will not be cheap so that price may not be key issue in marketing mix.

Difficult to compete with multinationals. Competition will be at expensive end of price range.

Won't compete on fuel efficiency.

USP includes exclusivity, image, association with "rugged" use.

Quality and reliability will feature strongly.

Brand needs to be developed.

Can discuss mix for existing range of cars or both.

ARA

[10]

<b>Knowledge and Application</b>	<b>Analysis and Evaluation</b>
<b>Level 2</b> Shows understanding of marketing mix in the context of the business <b>(4–3 marks)</b>	<b>Level 2</b> Evaluation of factors or good analysis in context <b>(6–3 marks)</b>
<b>Level 1</b> Shows understanding of marketing mix <b>(2–1 marks)</b>	<b>Level 1</b> Limited analysis of factors involved in the mix <b>(2–1 marks)</b>