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**BUSINESS**

**9609/22**

Paper 2 Data Response

**May/June 2018**

MARK SCHEME

Maximum Mark: 60

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**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.

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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.

Question	Answer	Marks																																			
1(a)(i)	<p data-bbox="284 248 975 282"><b>Define the term ‘private limited company’ (line 1).</b></p> <table border="1" data-bbox="284 315 1350 533"> <thead> <tr> <th data-bbox="284 315 1123 367">Knowledge</th> <th data-bbox="1128 315 1350 367">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="284 374 1123 423">A correct definition</td> <td data-bbox="1128 374 1350 423">2</td> </tr> <tr> <td data-bbox="284 430 1123 479">A partial, vague or unfocused definition</td> <td data-bbox="1128 430 1350 479">1</td> </tr> <tr> <td data-bbox="284 486 1123 533">No creditable content</td> <td data-bbox="1128 486 1350 533">0</td> </tr> </tbody> </table> <p data-bbox="284 539 1294 602"><i>Note: A correct definition must distinguish a private limited company from any other legal structure on the syllabus, i.e. PLC, sole trader, partnership etc.</i></p> <p data-bbox="284 640 395 669"><b>Content</b></p> <p data-bbox="284 676 1326 770">A business where shares can be sold, but not to the general public. The owners benefit from limited liability. Accounts must be produced but not necessarily published.</p> <p data-bbox="284 808 347 837">ARA</p> <table border="1" data-bbox="284 875 1350 1794"> <thead> <tr> <th data-bbox="284 875 759 927">Exemplar</th> <th data-bbox="764 875 1123 927">Rationale</th> <th data-bbox="1128 875 1350 927">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="284 934 759 1039">A private limited company has shareholders but does not sell on the stock exchange</td> <td data-bbox="764 934 1123 1039">Could only be a private limited company</td> <td data-bbox="1128 934 1350 1039">2</td> </tr> <tr> <td data-bbox="284 1046 759 1151">It has limited liability and but cannot sell shares to the public</td> <td data-bbox="764 1046 1123 1151">Whilst this could be an LLP that structure is not on the syllabus</td> <td data-bbox="1128 1046 1350 1151">2</td> </tr> <tr> <td data-bbox="284 1158 759 1263">A business which cannot sell shares to the public</td> <td data-bbox="764 1158 1123 1263">True but this could also be a sole trader or partnership</td> <td data-bbox="1128 1158 1350 1263">1</td> </tr> <tr> <td data-bbox="284 1270 759 1352">It has limited liability</td> <td data-bbox="764 1270 1123 1352">True but this could also be a PLC</td> <td data-bbox="1128 1270 1350 1352">1</td> </tr> <tr> <td data-bbox="284 1359 759 1442">Sells shares</td> <td data-bbox="764 1359 1123 1442">True but this could also be a PLC</td> <td data-bbox="1128 1359 1350 1442">1</td> </tr> <tr> <td data-bbox="284 1449 759 1554">A business that is not owned by the government but can sell shares</td> <td data-bbox="764 1449 1123 1554">All true but could still be a PLC</td> <td data-bbox="1128 1449 1350 1554">1</td> </tr> <tr> <td data-bbox="284 1561 759 1666">A business that is owned by private individuals not the government</td> <td data-bbox="764 1561 1123 1666">This is true but does not distinguish between any of the legal structures</td> <td data-bbox="1128 1561 1350 1666">0</td> </tr> <tr> <td data-bbox="284 1673 759 1794">A company that is privately owned</td> <td data-bbox="764 1673 1123 1794">A tautology – just uses words from the question so no understanding</td> <td data-bbox="1128 1673 1350 1794">0</td> </tr> </tbody> </table>	Knowledge	Marks	A correct definition	2	A partial, vague or unfocused definition	1	No creditable content	0	Exemplar	Rationale	Marks	A private limited company has shareholders but does not sell on the stock exchange	Could only be a private limited company	2	It has limited liability and but cannot sell shares to the public	Whilst this could be an LLP that structure is not on the syllabus	2	A business which cannot sell shares to the public	True but this could also be a sole trader or partnership	1	It has limited liability	True but this could also be a PLC	1	Sells shares	True but this could also be a PLC	1	A business that is not owned by the government but can sell shares	All true but could still be a PLC	1	A business that is owned by private individuals not the government	This is true but does not distinguish between any of the legal structures	0	A company that is privately owned	A tautology – just uses words from the question so no understanding	0	2
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1(b)(i)	<p><b>Refer to Fig 1. Identify the age group with the highest average income.</b></p> <p>Answer = 40+ (1) (allow ‘oldest group’)</p> <p>Do not accept 40 (no plus)</p>	<b>1</b>																											

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Question	Answer				Marks
1(c)	<b>Analyse the effect on <u>two</u> stakeholders, other than employees, of the decision to make 20% of employees redundant.</b>				<b>8</b>
	<b>Level</b>	<b>Knowledge and Application (4 marks)</b>	<b>Marks</b>	<b>Analysis (4 marks)</b>	<b>Marks</b>
	2b	Shows understanding of the effect of the redundancies on <b>two</b> stakeholders of OT	4	Developed analysis of the effect of the redundancies on <b>two</b> stakeholders of OT	4
	2a	Shows understanding of the effect of the redundancies on <b>one</b> stakeholder of OT	3	Developed analysis of the effect of the redundancies on <b>one</b> stakeholder of OT	3
	1b	Shows knowledge of redundancy <b>and</b> stakeholders	2	Limited analysis of the effect of redundancies on <b>two</b> stakeholders	2
	1a	Shows knowledge of redundancy <b>or</b> stakeholders	1	Limited analysis of the effect of redundancies on <b>one</b> stakeholder	1
	No creditable content				0
	<i>Note: The business (OT) is NOT a stakeholder</i>				
	<b>Content:</b>				
	<b>Customers</b> – worse service leading to a poor experience using OT				
	<b>Owners</b> – may have less profit as there are high redundancy costs. May eventually have higher profits as the business is more efficient.				
	<b>Managers</b> – may have less workers to supervise				
	<b>Banks/lenders</b> – may worry about the future of OT and not lend for any future ventures				
	<b>Local community</b> – increased unemployment, lower average income				
	<b>Government</b> – increased unemployment, lower income tax revenue.				
	<b>Competitors</b> – OT may lose sales so the competitors may gain sales, competitors may gain new trained employees				



Question	Answer				Marks	
1(c)	ARA					
	Example of stakeholders	Examples of effects on stakeholder	Examples of application/context	Examples of possible analysis		
	Customers	Unable to book a holiday	Because the website may be down due the redundancies amongst the technical specialists	Which means they are frustrated because they cannot use the website and have to search for a holiday elsewhere taking extra time.		
Owners	Less profit	Dividends (OT is a Ltd) may decrease because of the extra redundancy costs	Leading to a lower income for the shareholders and a chance that they will want to sell their shares			

Question	Answer				Marks
1(d)	<b>Recommend how OT can use the internet in the marketing mix for holidays aimed at the new target market. Justify your recommendation.</b>				<b>11</b>
	<b>Knowledge and Application (4 marks)</b>	<b>Marks</b>	<b>Analysis and Evaluation (7 marks)</b>	<b>Marks</b>	
			A justified recommendation based on a developed argument	7	
			A developed recommendation based on a developed argument	6	
			A basic recommendation/judgement based on a developed argument	5	
	Shows understanding of the internet in one or more elements of the marketing mix for OT	3–4	Developed argument based on the use of the internet in one or more elements of the marketing mix for OT	3–4	
	Shows knowledge of the marketing mix	1–2	Limited analysis of the use of the internet in the marketing mix	1–2	
	No creditable content			0	
	<i>Note: Candidates can gain all the marks from use of one element of the marketing mix</i>				
	<b>Content</b>				
	<ul style="list-style-type: none"> <li>• <b>Promotion</b> – many ways in which the internet could be used, especially in this target market. Social media, viral marketing etc.. Allow use of specific platforms, such as Facebook, Twitter, Snapchat etc.. Relatively cheap methods of promotion, can show elements of the holiday (ie skiing) in videos etc., good for targeting this age group and accessible on various devices.</li> <li>• <b>Price</b> – use of dynamic pricing to change prices based on demand, timing etc. Easy to adapt prices and change in short period of time.</li> <li>• <b>Product</b> – Could be tied into the product, so offer free WiFi with holidays, online catalogues and search facilities showing the product portfolio.</li> <li>• <b>Place</b> – can be sold through the internet, reduces labour costs, more likely to be suitable for this target market.</li> </ul>				

Question	Answer	Marks
1(d)	<p>Candidates can also use the 4C's:</p> <ul style="list-style-type: none"><li>• Cost to the customer</li><li>• Convenience to the customer</li><li>• Customer solution</li><li>• Communication with the customer</li></ul> <p><b>To award APP a candidate requires all three elements:</b></p> <ul style="list-style-type: none"><li>• <b>Marketing mix (the knowledge to back it up)</b></li><li>• <b>The target market (16–30)</b></li><li>• <b>Internet</b></li></ul> <p>ARA</p>	

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2(a)(i)	<p data-bbox="284 248 778 282"><b>Define the term ‘consumer’ (line 4).</b></p> <table border="1" data-bbox="284 315 1353 517"> <thead> <tr> <th data-bbox="284 315 1123 365">Knowledge</th> <th data-bbox="1128 315 1353 365">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="284 371 1123 416">A correct definition</td> <td data-bbox="1128 371 1353 416">2</td> </tr> <tr> <td data-bbox="284 423 1123 468">A partial, vague or unfocused definition</td> <td data-bbox="1128 423 1353 468">1</td> </tr> <tr> <td data-bbox="284 474 1123 519">No creditable content</td> <td data-bbox="1128 474 1353 519">0</td> </tr> </tbody> </table> <p data-bbox="284 551 400 584"><b>Content</b></p> <p data-bbox="284 591 1214 624">A person who purchases a good or service for personal use/enjoyment.</p> <p data-bbox="284 656 770 689">A person who uses a good or service</p> <p data-bbox="284 721 347 754">ARA</p> <table border="1" data-bbox="284 786 1353 1086"> <thead> <tr> <th data-bbox="284 786 735 835">Exemplar</th> <th data-bbox="740 786 1118 835">Rationale</th> <th data-bbox="1123 786 1353 835">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="284 842 735 920">A consumer is someone who uses a product</td> <td data-bbox="740 842 1118 920">A correct definition</td> <td data-bbox="1123 842 1353 920">2</td> </tr> <tr> <td data-bbox="284 927 735 1005">A consumer is someone who buys a good or service</td> <td data-bbox="740 927 1118 1005">Mixed up with customer but a partial understanding</td> <td data-bbox="1123 927 1353 1005">1</td> </tr> <tr> <td data-bbox="284 1012 735 1090">One of the two main markets; business and consumer</td> <td data-bbox="740 1012 1118 1090">Repetition from the case – no understanding</td> <td data-bbox="1123 1012 1353 1090">0</td> </tr> </tbody> </table>	Knowledge	Marks	A correct definition	2	A partial, vague or unfocused definition	1	No creditable content	0	Exemplar	Rationale	Marks	A consumer is someone who uses a product	A correct definition	2	A consumer is someone who buys a good or service	Mixed up with customer but a partial understanding	1	One of the two main markets; business and consumer	Repetition from the case – no understanding	0	<b>2</b>
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2(a)(ii)	<p data-bbox="284 248 959 282"><b>Briefly explain the term ‘variable costs’ (line 11).</b></p> <p data-bbox="284 315 887 349">Award one mark for each point of explanation:</p> <table border="1" data-bbox="284 383 1350 618"> <thead> <tr> <th></th> <th>Knowledge</th> <th>Marks</th> </tr> </thead> <tbody> <tr> <td>C</td> <td>Example or some other way of showing good understanding (e.g. comparison with fixed costs)</td> <td>1</td> </tr> <tr> <td>B</td> <td>Link to output changing</td> <td>1</td> </tr> <tr> <td>A</td> <td>Costs that change (allow vary)</td> <td>1</td> </tr> </tbody> </table> <p data-bbox="284 651 400 685"><b>Content</b></p> <p data-bbox="284 685 1313 786">A variable cost is one that changes as output changes. For example bread is a variable cost for a sandwich producer because the more sandwiches are made the more bread is needed.</p> <table border="1" data-bbox="284 819 1350 1272"> <thead> <tr> <th>Exemplar</th> <th>Rationale</th> <th>Marks</th> </tr> </thead> <tbody> <tr> <td>A cost that changes when a business produces more, for example the material for each umbrella is a variable cost</td> <td>All three elements</td> <td>3</td> </tr> <tr> <td>Variable costs change with output unlike fixed costs which do not</td> <td>The comparison with FC is good enough for the C mark</td> <td>3</td> </tr> <tr> <td>Costs that change like wages</td> <td>A and C marks only</td> <td>2</td> </tr> <tr> <td>Costs like wages and raw materials</td> <td>C mark only – do not reward more than once</td> <td>1</td> </tr> </tbody> </table> <p data-bbox="284 1305 347 1339">ARA</p>		Knowledge	Marks	C	Example or some other way of showing good understanding (e.g. comparison with fixed costs)	1	B	Link to output changing	1	A	Costs that change (allow vary)	1	Exemplar	Rationale	Marks	A cost that changes when a business produces more, for example the material for each umbrella is a variable cost	All three elements	3	Variable costs change with output unlike fixed costs which do not	The comparison with FC is good enough for the C mark	3	Costs that change like wages	A and C marks only	2	Costs like wages and raw materials	C mark only – do not reward more than once	1	<b>3</b>
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2(c)	<b>Analyse <u>two</u> advantages to UU of using batch production.</b>				<b>8</b>
	<b>Level</b>	<b>Knowledge and Application (4 marks)</b>	<b>Marks</b>	<b>Analysis (4 marks)</b>	<b>Marks</b>
	2b	Shows understanding of two advantages to UU of batch production	4	Developed analysis of two advantages of batch production in context	4
	2a	Shows understanding of one advantage to UU of batch production	3	Developed analysis of one advantage of batch production in context	3
	1b	Shows knowledge specifically of batch production	2	Limited analysis of two advantages of batch production	2
	1a	Shows knowledge of production processes	1	Limited analysis of one advantage of batch production	1
	No creditable content				0
	<i>Note: give candidates the BOD if they have made a point which could apply to more than just batch production.</i>				
	<b>Content</b>				
	<ul style="list-style-type: none"> <li>• Cheaper than job production – important because UU produces 20 000 of each consumer design</li> <li>• Allows for economies of scale which can reduce the unit cost of each umbrella (currently \$0.75 for the bank order)</li> <li>• Quicker than job production – important because of the 10 day delivery guarantee.</li> <li>• Allows for more flexibility than flow production – important because of the range of designs that UU have.</li> </ul>				
	ARA				
	<b>Examples of advantages</b>	<b>Examples of application/context</b>	<b>Examples of possible analysis</b>		
	More standardised quality than job production	20 000 made of each design	Making a batch allows UU to make sure each umbrella is the same quality so that customers are not disappointed, losing customer loyalty and repeat sales.		
	More flexible than flow production	Business orders are all unique with the logo on	So UU can make the designs to the customers specification, leading to increase customer satisfaction and more sales.		



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2(d)	<b>Recommend which of the two options for growth UU should use. Justify your answer.</b>				<b>11</b>																																				
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<p><b>Content</b></p> <p><b>Option 1</b></p> <ul style="list-style-type: none"> <li>• Risk of growth through franchise – may lose control of brand and image.</li> <li>• Only the consumer market – UU still retain control of the business market – but could poor image reduce this market too?</li> <li>• Less risk to UU because they have lower costs which will be covered by the fee and royalties. If the franchisee makes a profit UU gets royalties, however if the franchisee makes a loss UU are not affected.</li> <li>• Could this reduce UU's consumer market through the internet (ie not localised).</li> </ul> <p><b>Option 2</b></p> <ul style="list-style-type: none"> <li>• Increasing the range of the product portfolio reduces risk.</li> <li>• Could allow UU to expand into areas where Umbrellas are not appropriate or used.</li> <li>• Requires external finance which is likely to be expensive for UU and increase costs.</li> <li>• Very competitive market – low profit margins</li> <li>• Growing market – Boston Matrix starting out as a problem child (?).</li> </ul> <p>ARA</p>																																									