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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.

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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

Cambridge.com (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.

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

(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.

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

- (b) Factors causing high labour turnover:
 - Low pay
 - Boring jobs
 - Too demanding
 - Autocratic management
 - Seasonal nature of work

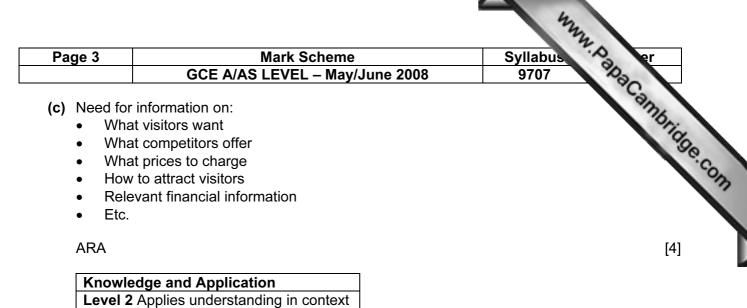
Any solution would need to address some, or all these issues Planned expansion may address some of them, but there probably needs to be more, in particular the management style.

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

[8]

[3]

[3]



Knowledge and Application Level 2 Applies understanding in contex of the business (4–3 marks) Level 1 Shows understanding of information needed (2–1 marks)

(d) (i) Annual cash inflow 0.25mTotal 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	(4 marks)
Right approach, mistakes	(3 marks)
Correct data identified	(2 marks)
Formula/attempt	(1 Mark)

(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]

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

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2 **Ganmor Cars**

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

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

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

(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]

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

(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

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

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	not be cheap so that price may not be key issue in r to compete with multinationals. Competition will be	narketing mix.	bridge
range.	ompete on fuel efficiency.	at expensive end of price	Se.c.
USP inc	ludes exclusivity, image, association with "rugged" us	se.	

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]

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