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BUSINESS STUDIES

9707/01

Paper 1 Short Answer and Essay

For Examination from 2011

SPECIMEN MARK SCHEME

1 hour 15 minutes

MAXIMUM MARK: 40

This document consists of **4** printed pages.



- 1 (a) Technological, fashion, cultural or demographic factors, competition alternatives.

One appropriate reason given.
Two appropriate reasons given

- (b) Market size: sales volume or value; market share: % of overall market a business has.

Some explanation of terms [1]
Reasonable but not full explanation of both terms or full explanation of one term [2]
Substantially full explanation of both terms. [3]

- 2 Ethical issues are ones involving moral issues which are not illegal but can impinge on firms' activity. Include factors such as environmental factors - manufacturer might be polluting – good practice in the treatment of employees (e.g. redundancy or outsourcing of jobs), healthy living issues (e.g. soft drinks, fast food, tobacco or alcohol). Can be opportunity for firms to produce ethical products, e.g. fair trade goods.

Basic explanation of ethical issues [1]
Understanding of some of the implications for a manufacturer [2–3]
Substantially full appreciation of factors, including ways to overcome consumer resistance or exploit opportunity. [4–5]

- 3 (a) Relation of inputs to outputs, e.g. taking a basic material or commodity and converting it into a more complete or differentiated product or branded product.

One relevant example given [1]
Two relevant example given [2]

- (b) Added value allows firms to market their products more successfully, emphasising strength of brand as opposed to a commodity. They can charge higher prices, achieve a USP and obtain competitive advantage. Higher added value products are less price-elastic and harder to copy.

Some explanation given [1]
Partial explanation given [2]
Three reasons given or two well developed points [3]

- 4 (a) EI or EQ (emotional quotient) is defined in the terms of multiple intelligences – EI or EQ intelligence is as important as intellectual intelligence – the ability to be aware of, control and manage the emotions of self and others – EI it is suggested can be learnt and improved – developed – Goleman's model of emotional competencies (self awareness, self management, social awareness and social skills) – individual and business value.

Definition with partial understanding [1]
 Definition with full understanding [2]

- (b) Define entrepreneur – enterprise as a factor of production – managing a business in pursuit of profit and assuming risk. Qualities such as innovative business ideas – creativity – visionary – set big goals – self confidence – new ways of running a business – energetic – distinctive leadership, willing to change – likely to run small businesses but some become leaders of successful large companies e.g. Richard Branson, Bill Gates, Mark Shuttleworth etc. (Qualities considered to be different to standard manager qualities).

Limited understanding of entrepreneur [1]
 Clear understanding of role and activity of an entrepreneur with some attempt to specify some qualities [2]
 Well developed explanation of at least two entrepreneurial qualities [3]

- 5 (a) They are 2 of 3 key accounts which incorporated companies have to produce by law for their shareholders. Used by other stakeholders to assess performance and strength of business in numerical terms. Balance Sheet shows what company owns, owes and where its finance comes from, ie assets, liabilities and sources of finance. It's a snapshot at a point in time and gives a paper value of a company (rather than market value). The Income Statement shows a business's revenue and costs for a period of time, sales minus cost of sales, to give surplus for the period. It shows nothing about cash generated, although Balance Sheet does show cash in hand.

Sound analysis and explanation of the purposes of both accounts [7–8]
 Some analysis and substantially correct explanation of the purposes of both accounts [5–6]
 Limited explanation of purposes of both accounts [3–4]
 Little understanding of both accounts [1–2]

- (b) Management are mainly concerned with efficiency. They will be using accounts to show performance, especially through ratios, such as profit and the relationship of costs to sales, trade receivables and stock control etc. So they will use the Trading Account in the Income Statement and identify WC management issues in the BS. They are not so concerned with use of profit. Also, accounts will not show key factors about the business, such as motivation of workers, success of marketing etc. Shareholders are also concerned with profit but more at the Appropriation Account, the amount of dividends and the longer term financing in the BS. They are using accounts to identify risk and reward. The share price is probably their prime aim, which accounts don't help with.

Evaluative comment on the usefulness/limitations of accounts to both sets of stakeholders [11–12]
 Sound analysis of each stakeholder group's use of published accounts [8–10]
 Understanding shown of the usefulness of the accounts to each stakeholder group [3–7]
 Shows limited understanding of stakeholders and/or published accounts [1–2]

- 6 Answers should include discussion of the function of leadership in business: applying, setting objectives and communicating information, rewarding and disciplining, finding the means of motivating workers etc. Candidates should consider leadership at different levels from the MD down to shop floor level. Analysis of different leadership styles is appropriate: autocratic, democratic and laissez-faire, leading by example or simply directing. Theory X or Y. Delegation and consultation are important factors here. Good candidates will link leadership style to motivation factors, e.g. recognising individuals' needs (Maslow), recognition of success (Herzberg). Evaluation should include some awareness that success, however it is measured, may be down to other factors than leadership, such as financial reward, Theory X-style fear etc.

Evaluative comment on the 'importance' of 'good' 'leadership' and possible link to 'successful' business (e.g. among offer factors) [17–20]

Analysis of how 'good' leadership (defined) qualities and styles might impact on business performance through motivation, direction, communication etc. (reward relevant theory and concept) [11–16]

Understanding shown of what effective leaders might do to influence business performance and success [5–10]

Limited understanding of role and impact of leadership on organisation [1–4]

- 7 (a) It will look at consumer characteristics which enable it to target marketing and focus advertising, pricing, distribution etc., rather than viewing markets as a whole. Likely segments might be age, income, occupation, region or any other characteristics which differentiate consumers.

Sound analysis of market segmentation in the context of a soft drinks manufacturer [7–8]

Some analysis and sound understanding of how a business might segment the market [5–6]

Reasonable explanation of market segmentation [3–4]

Limited understanding of market segmentation [1–2]

- (b) Answers should distinguish between primary and secondary research. Secondary should come first and involve using published data about competition, market size etc. More important is likely to be primary research in the target market, using questionnaires, interviews, consumer panels, blind tasting. Getting the taste right is the key aim, but packaging, price and promotion need to be tested too. Much will depend on the budget available.

Evaluative comment on appropriate market research methods in the context of a soft drinks manufacturer's new product [11–12]

Analysis of suitable market research methods appropriate to a soft drinks manufacturer [8–10]

Shows understanding of different market research methods [3–7]

Limited understanding of market research methods [1–2]