

**MARK SCHEME for the May/June 2014 series**

**9771 BUSINESS AND MANAGEMENT**

**9771/01**

Paper 1 (Business Concepts), maximum raw mark 100

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 will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the May/June 2014 series for most IGCSE, Pre-U, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.

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### Section One

| <i>Question Number</i> | <i>Key</i> | <i>Question Number</i> | <i>Key</i> |
|------------------------|------------|------------------------|------------|
| 1                      | <b>B</b>   | 11                     | <b>D</b>   |
| 2                      | <b>B</b>   | 12                     | <b>D</b>   |
| 3                      | <b>A</b>   | 13                     | <b>B</b>   |
| 4                      | <b>D</b>   | 14                     | <b>A</b>   |
| 5                      | <b>C</b>   | 15                     | <b>C</b>   |
| 6                      | <b>B</b>   | 16                     | <b>B</b>   |
| 7                      | <b>B</b>   | 17                     | <b>A</b>   |
| 8                      | <b>D</b>   | 18                     | <b>C</b>   |
| 9                      | <b>C</b>   | 19                     | <b>A</b>   |
| 10                     | <b>D</b>   | 20                     | <b>C</b>   |

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### Section Two

**21 (a) Refer to Table A. Calculate the values of x,y,z** [3]

X = 1  
Y = (7.25)  
Z = 15.75

**(b) Assess the likely value of this form of sales forecasting to AJL.** [7]

|         | Application<br>1 mark                           | Analysis<br>3 marks  | Evaluation<br>3 marks   |
|---------|---|--|---|
| Level 2 |   | 3 marks<br>Relevant reasoning<br>or theory used to<br>explain answer | 3 marks<br>Good judgement<br>shown plus overall<br>conclusion/judgement |
| Level 1 | 1 mark<br>Some application of<br>points to case | 2–1 marks<br>Limited reasoning<br>shown                              | 2–1 marks<br>Limited evaluation or<br>judgement                         |

**Answer could include:**

**Application:**

- Sales are rising
- Seasonal variation is evident
- Useful for deciding on relocation.

**Analysis:**

- Helps to manage resources of a business to avoid waste/under-capacity
- May indicate need for marketing changes to reduce/cancel out seasonal changes.

**Evaluation:**

- Time period used is limited, so conclusions made about future sales could be uncertain
- Industry subject to cyclical changes and economic factors - these are unpredictable
- It acts as a useful starting point for sales forecasting but may be insufficient on its own.

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### Questions 22; 23 and 24

|         | Knowledge<br>1 mark            | Application<br>3 marks                             | Analysis<br>3 marks  | Evaluation<br>3 marks   |
|---------|--------------------------------|--|--|---|
| Level 2 |                                | 3 marks<br>Points made well applied to case        | 3 marks<br>Relevant reasoning or theory used to explain answer | 3 marks<br>Good judgement shown plus overall conclusion/judgement |
| Level 1 | 1 mark<br>Some knowledge shown | 2–1 marks<br>Some application to of points to case | 2–1 marks<br>Limited reasoning shown                           | 2–1 marks<br>Limited evaluation or judgement                      |

### 22 Discuss how AJL could motivate workers in the new factory without increasing the unit production cost. [10]

**Answers could include:**

#### **Knowledge:**

- Financial and non-financial methods of motivation

#### **Application:**

- Family owned business – may use an autocratic leadership style – and “hard” HRM
- Flow line production – team work/job rotation/ job enrichment appear not to be used
- Higher than average absenteeism and labour turnover
- Business wants to keep unit costs down.

#### **Analysis:**

- Explaining how any one (or more) motivational method might improve motivation and reduce absenteeism and turnover:
- e.g. job enrichment might allow workers to have more responsibility and limited decision making role, more feedback on performance and “whole units of work”. Although training costs might rise, other costs might be reduced e.g. middle managers, salaries and the costs of recruitment.

#### **Evaluation:**

- What is the MD prepared to accept in this case?  
Will motivation be higher in Location B anyway, due to high levels of unemployment?
- Are non–financial factors likely to be effective?
- Could financial factors lead to higher costs – and so not achieve the business aim?
- Judgement shown of the motivation methods suggested.

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**23 Recommend to AJL which location should be chosen for the new factory. Justify your recommendation. [10]**

**Answers could include:**

**Knowledge:**

- Any locational factor given which shows understanding e.g. BE point; unemployment levels and labour supply.

**Application:**

- Is wood imported? – sea port is important
- Capital cost – business gearing ratio is relatively high
- BE point slightly higher at B – 2000 compared with 1250.

**Analysis:**

- Higher unemployment might lead to lower wage costs – resulting in lower production costs
- Number of construction companies might affect demand levels – important if the business plans to expand
- Distance from sea port could raise material transport costs and may impact on BE point.

**Evaluation:**

- Most important factor in this case?
- More information needed e.g. size of the construction firms; quality of labour available; wage rates; transport costs
- Final choice might depend on the excess capacity – how much bigger do the directors want AJL to grow?

**24 Discuss the most appropriate sources of finance that AJL could use for this relocation. [10]**

**Answers could include:**

**Knowledge:**

- Examples of different finance sources for capital investment e.g. long term loans, shares, sales of existing assets.

**Application:**

- Gearing ratio is relatively high – will increase to 79% if Location B was entirely financed from loans
- Existing site could be sold
- Further shares could be sold – if not to existing owners than friends/associates
- Business is quite liquid.

**Analysis:**

- High gearing will make business riskier especially if interest rates rise or profits fall
- Sale of shares might lead to some loss of control – but this is a no – interest cost option
- Sale of the existing site will not raise gearing or lose control – but future profit might be lost.

**Evaluation:**

- Additional data would be useful e.g. cash position of the business
- Time needed for council's decision
- Interest rate level - and future expectations for this
- Overall: mix of finance might be best to avoid too high gearing and too much loss of control.

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### Questions 25–28

|         | Knowledge<br>6 marks AO1          | Application<br>10 marks AO2   | Analysis<br>12 marks AO3   | Evaluation<br>12 marks AO4   |
|---------|-----------------------------------|---|--|--|
| Level 3 |                                   | 10–7 marks<br>Excellent application of most points to selected businesses | 12–8 marks<br>Extensive reasoning and use of theory to explain arguments | 12–8 marks<br>Extensive judgement in answer and conclusion   |
| Level 2 | 6–4 marks<br>Good knowledge shown | 6–4 marks<br>Points well applied to selected businesses                   | 7–4 marks<br>Good reasoning/use of theory to explain answer              | 7–4 marks<br>Good judgement shown in answer <b>and</b> conclusion <b>or</b> excellent judgement in answer <b>or</b> conclusion |
| Level 1 | 3–1 marks<br>Some knowledge shown | 3–1 marks<br>Some application of points                                   | 3–1 marks<br>Some reasoning /use of theory to explain answer.            | 3–1 marks<br>Some judgement shown in answer or conclusion  |

### 25 Discuss whether businesses should continue to pursue policies aimed at protecting the environment during periods of economic recession. [40]

**Answers could include:**

#### **Knowledge:**

- Environmental protection e.g. reducing waste and energy consumption
- Costs involved
- Benefits of being “environmentally friendly”.

#### **Application:**

- To candidate’s own business examples.

#### **Analysis:**

- Environmental policies may create good PR environment and help the business establish positive corporate/brand images
- May save costs in the long term e.g. using renewable energy
- Laws may be becoming more restrictive regarding damage to environment so these policies will reduce the risk of breaking the law.

#### **Evaluation:**

- Short term costs versus long term benefits
- Is saving costs and reducing prices more important during a recession when consumers are more price conscious?
- May depend on the nature of the business or product e.g. consumer or industrial market product
- Use of candidate’s own examples to present a balanced argument.

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- 26 “Our business is about technology, yes. But it’s also about operations, people and customer relationships”. Michael Dell (CEO Dell Computers)  
**Assess the importance of new technology to the success of businesses.** [40]

**Answers could include:**

**Knowledge:**

- Nature of technological changes and the impact on business e.g. new products and new processes; IT
- Understanding of benefits/costs of technology.

**Application:**

- To candidate’s own business examples.

**Analysis:**

- Technology can create new markets and new market niches
- Technology can give a business a competitive advantage, especially if patented
- Technology can be costly to research into and to apply
- Other factors such as “operations, people and customer relations” might be important to business success.

**Evaluation:**

- Perhaps no one single factor can influence long term success
- Technology might be more significant for some businesses/industries than others e.g. the pace of change
- Does it depend on the size of the business?
- Use of candidate’s own examples to present a balanced argument.

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**27 “I never get the accountants in before I start up a business. It’s done on gut feeling, especially if I can see that existing firms are taking advantage of consumers”. Richard Branson.**

**Evaluate the importance of financial planning before starting or expanding a business. [40]**

**Answers could include:**

**Knowledge:**

- Gut instinct or scientific decision making
- Business and financial planning – benefits/limitations
- Risks of new business start-ups.

**Application:**

- To the candidate’s own business examples.

**Analysis:**

- Gut instinct can work when the entrepreneur is experienced and has luck on his/her side
- Can be quicker and can access a market opportunity (because other firms are exploiting their market position perhaps – see quote) and become a “first mover”
- Adds to risks – no financial planning means added risk of cash flow and liquidity problems – not for Branson, perhaps!
- Financial/business planning essential for most business start-ups as required by lenders/investors.

**Evaluation:**

- Most likely to be very important, as finance is a key resource and in limited supply
- May depend on the resources of the entrepreneur and their level of experience
- Even detailed financial planning will not guarantee the success of a new business start-up.
- Use of candidate’s own examples to present a balanced argument.



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**28 Evaluate the extent to which different corporate cultures can determine the success or failure of integration between two businesses. [40]**

**Answers could include:**

**Knowledge:**

- Takeovers / mergers
- Integration types
- Corporate culture
- Other factors that determine success / failure e.g. finance.

**Application:**

- To candidate's own business examples.

**Analysis:**

- Different cultures e.g. task or power or different national cultures, can lead to conflicts and irreconcilable differences between integrated businesses and their managers – e.g. different leadership styles and different ways of taking decisions
- Other factors can influence success too e.g. the competition policy of the government and the economic environment which might change significantly after the integration.

**Evaluation:**

- Differences in culture may be overcome e.g. replacements of former managers; new codes of conduct etc.
- May be exaggerated, as there are many successful examples of takeovers/mergers even though involving foreign companies
- May be much more serious problems when integrating with business from a different continent e.g. a western company taking over an Asian business
- Not the only factor that is significant – but it might be a crucial one
- Use of candidate's own examples to present a balanced argument.