



Cambridge Pre-U

BUSINESS AND MANAGEMENT

9771/01

Paper 1 Business Concepts

October/November 2020

MARK SCHEME

Maximum Mark: 100

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.

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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.

Section 1

| Question | Answer | Marks |
|-----------------|---------------|--------------|
| 1 | B | 1 |
| 2 | D | 1 |
| 3 | C | 1 |
| 4 | A | 1 |
| 5 | A | 1 |
| 6 | D | 1 |
| 7 | A | 1 |
| 8 | D | 1 |
| 9 | C | 1 |
| 10 | B | 1 |
| 11 | C | 1 |
| 12 | A | 1 |
| 13 | A | 1 |
| 14 | D | 1 |
| 15 | B | 1 |
| 16 | C | 1 |
| 17 | D | 1 |
| 18 | B | 1 |
| 19 | D | 1 |
| 20 | B | 1 |

Section 2

| Question | Answer | Marks | | | | | | | | | |
|-----------|--|---|------------------|--------------------|----------|--|---|----------|--------------------------------------|--|----------|
| 21(a)(i) | <p>Using data in Table 21.1:</p> <p>calculate the payback period for Location S</p> <p>2 years 8.57 months (2) Some attempt made using appropriate method (1)</p> | 2 | | | | | | | | | |
| 21(a)(ii) | <p>calculate the average annual rate of return for Location S</p> <p>38.7% (2) Some attempt made using appropriate method (1)</p> | 2 | | | | | | | | | |
| 21(b) | <p>Recommend which location should be chosen for the new branch. Refer to results from <u>21(a)</u> in your answer.</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Analysis 3 marks</th> <th>Evaluation 3 marks</th> </tr> </thead> <tbody> <tr> <td>2</td> <td>3 marks Relevant reasoning or theory used to explain answer</td> <td>3 marks Good judgement shown plus overall conclusion/judgement</td> </tr> <tr> <td>1</td> <td>2–1 marks Limited reasoning shown</td> <td>2–1 marks Limited evaluation or judgement</td> </tr> </tbody> </table> <p>Answers could include:</p> <p>Analysis</p> <ul style="list-style-type: none"> • Quicker payback for T might be important as SB has recently paid for takeover so cash flow might be a problem • Lower annual profit at T could result from lower demand in semi-rural area – has demand from residents of new housing been included? • However, higher ARR for T suggests that the area is likely to lead to more profitable salon as a consequence of a cheaper lease, for example. • Quality of site appearance important as need to attract wealthy clients – is town centre site more attractive? Would semi-rural site fit in better with image Leah is trying to create? • Advantages and disadvantages of being closer to competitors. <p>Evaluation</p> <ul style="list-style-type: none"> • A supported conclusion/recommendation needed. Could be either site and a balance of quantitative and qualitative factors needs to be assessed. • How reliable are the forecasts? 5 years is a long time to be 'looking ahead' as external factors can change rapidly. • Market research in the two areas is essential before proceeding – e.g. to find out size of this particular market segment in both areas. | Level | Analysis 3 marks | Evaluation 3 marks | 2 | 3 marks Relevant reasoning or theory used to explain answer | 3 marks Good judgement shown plus overall conclusion/judgement | 1 | 2–1 marks Limited reasoning shown | 2–1 marks Limited evaluation or judgement | 6 |
| Level | Analysis 3 marks | Evaluation 3 marks | | | | | | | | | |
| 2 | 3 marks Relevant reasoning or theory used to explain answer | 3 marks Good judgement shown plus overall conclusion/judgement | | | | | | | | | |
| 1 | 2–1 marks Limited reasoning shown | 2–1 marks Limited evaluation or judgement | | | | | | | | | |

Q22–24 Use this mark grid:

| Level | Knowledge 2 marks | Application 2 marks | Analysis 3 marks | Evaluation 3 marks |
|-------|----------------------------------|--|--|---|
| 2 | 2 marks Good knowledge shown | 2 marks Points made well applied to case | 3 marks Relevant reasoning or theory used to explain answer | 3 marks Good judgement shown plus overall conclusion/judgement |
| 1 | 1 mark Some knowledge shown | 1 mark Some application of points to case | 1–2 marks Limited reasoning shown | 1–2 marks Limited evaluation or judgement |
| 0 | 0 marks No rewardable content | | | |

| Question | Answer | Marks |
|----------|--|-------|
| 22 | <p>Discuss the impact an effective workforce plan might have on the profitability of SB as it expands.</p> <p><i>Answers could include:</i></p> <p>Knowledge</p> <ul style="list-style-type: none"> • Definition/ implied understanding of workforce plan and its major contents <p>Application</p> <ul style="list-style-type: none"> • Staff audit already undertaken – good start point as it has already identified lack of multi-skilling • Need for more flexibility to avoid turning customers away in busy periods and employee idleness in others • ‘Chair renting’ and self-employment could add flexibility and cut fixed costs – helping profitability at a time when SB is investing in expensive new salon. <p>Analysis</p> <ul style="list-style-type: none"> • Workforce plan will identify aspects of labour supply/training/employment contracts that will help to ensure effective use of labour resource and improve customer service – all of these factors could lead to lower costs and higher revenue thus leading to higher profits. <p>Evaluation</p> <ul style="list-style-type: none"> • 45% of total costs made up from labour costs so improving workforce planning could have significant impact on future profits • Expanding business needs a workforce plan to cope with demands in new salons e.g. specialist or multi-skilled workers in the new prestige location? • Many other factors will affect profits too e.g. competition and Leah’s success in changing culture in some of the salons. | 10 |

| Question | Answer | Marks |
|----------|---|-------|
| 23 | <p>Recommend an appropriate marketing mix for the proposed new hair and beauty salon.</p> <p><i>Answers could include:</i></p> <p>Knowledge</p> <ul style="list-style-type: none"> • Definition of or implied understanding of a marketing mix and its contents <p>Application</p> <ul style="list-style-type: none"> • Existing approach unlikely to be effective as this market segment is different from existing customers • Marketing mix factors need to fit in with the objective of high sales target and prestige location/salon image <p>Analysis</p> <ul style="list-style-type: none"> • Price skimming might actually attract some wealthy customers if they think the quality is also going to be high • Social media likely to be used by target customers so this could be a more cost-effective form of advertising/promotion than more traditional media • Quality of services offered will be key – but is the plan for self-employed workers likely to achieve this or would high secure salaries be a better way to achieve quality services? <p>Evaluation</p> <ul style="list-style-type: none"> • Needs to be an integrated strategy that gives the new target market customers a coherent/consistent message about the new salons • Might need to increase marketing budget substantially, at least initially – has this been built into cash flow forecasts? • Essential to base marketing strategy on appropriate market research e.g. other high-class salons in the region and their price levels and ranges of services | 10 |

| Question | Answer | Marks |
|----------|--|-------|
| 24 | <p>Discuss ways in which Leah could attempt to change the culture within the former Hairaiser branches.</p> <p><i>Answers could include:</i></p> <p>Knowledge</p> <ul style="list-style-type: none"> • Definition or implied understanding of business culture and the factors that make it difficult to change/which are required to change it <p>Application</p> <ul style="list-style-type: none"> • Culture clash between Leah (Plaza and SB) and Hairaiser managers/employees • Current culture within Hairaiser not entrepreneurial as might be adopted in other SB salons • Current culture not geared towards teamwork, CSR, customer satisfaction <p>Analysis</p> <ul style="list-style-type: none"> • Change leadership style to encourage participation and teamwork – which could lead to better motivation and improved customer service • Retrain managers/ employees – e.g. in customer service and waste management and if they are ‘flexible’ enough this should change culture too • Establish targets that can only be met by a fresh approach e.g. waste levels, customer retention <p>Evaluation</p> <ul style="list-style-type: none"> • Not easy to change culture if current culture stems from senior management and has existed for a long time • Employees may be resentful about takeover – were they informed? If worried about job security as result of takeover, then reassurances might result in more flexible approach to Leah’s ideas for culture change | 10 |

Q25–28 Use this mark grid

| Level | Knowledge 6 marks AO1 | Application 8 marks AO2 | Analysis 13 marks AO3 | Evaluation 13 marks AO4 |
|-------|-----------------------------------|--|--|--|
| 3 | | 7–8 marks Excellent application of most points to selected businesses | 9–13 marks Extensive reasoning and use of theory to explain arguments | 9–13 marks Extensive judgement in answer and conclusion |
| 2 | 4–6 marks Good knowledge shown | 4–6 marks Points well applied to selected businesses | 5–8 marks Good reasoning/use of theory to explain answer | 5–8 marks Good judgement shown in answer and conclusion or excellent judgement in answer or conclusion |
| 1 | 1–3 marks Some knowledge shown | 1–3 marks Some application of points | 1–3 marks Some reasoning/use of theory to explain answer. | 1–3 marks Some judgement shown in answer or conclusion |
| 0 | No rewardable content | | | |

| Question | Answer | Marks |
|----------|--|-------|
| 25 | <p>‘India will be a global player in the digital economy, and it will be competitive with any country in the world.’ (Sundar Pichai, Google)</p> <p>Evaluate the implications for UK businesses of India’s economic growth.</p> <p><i>Answers could include:</i></p> <p>Knowledge</p> <ul style="list-style-type: none"> Globalisation; BRICS; risks/rewards of entering Indian market or importing from India. <p>Application</p> <ul style="list-style-type: none"> To a range of UK businesses <p>Analysis</p> <ul style="list-style-type: none"> Huge middle class – scope for selling income elastic goods/services Digital leader – especially important for UK IT businesses to source from or sell to India Scope for joint ventures – could reduce risk of operating in India <p>Evaluation</p> <ul style="list-style-type: none"> Not the only BRIC country – are the others growing even more rapidly? Uncertain and changing legal, social and political environment – are the risks too great? Other developed countries will also see the potential – needs to be quick or offer something different in order to succeed in Indian market. | 40 |

| Question | Answer | Marks |
|----------|---|-------|
| 26 | <p>Evaluate methods of communication that may be the most effective within large businesses.</p> <p><i>Answers could include:</i></p> <p>Knowledge</p> <ul style="list-style-type: none"> • Definition or implied understanding of effective communication • Methods of communication • Media that can be used <p>Application</p> <ul style="list-style-type: none"> • To a range of UK businesses e.g. those with only operations in UK and multi-nationals <p>Analysis</p> <ul style="list-style-type: none"> • Explanation of different methods and media and their advantages and disadvantages • Explanation of how to overcome the obvious potential barriers to communication in large businesses: distance, levels of hierarchy; language; alienation etc. <p>Evaluation</p> <ul style="list-style-type: none"> • IT likely to feature strongly in most cases – but potential drawbacks? IT failure, information overload, lack of face to face contact etc • Need to adapt methods and media to the environment, people involved and the messages being communicated. | 40 |

| Question | Answer | Marks |
|----------|--|-------|
| 27 | <p data-bbox="288 248 1197 311">Evaluate the impact of a low interest rate monetary policy on UK businesses.</p> <p data-bbox="288 349 595 380"><i>Answers could include:</i></p> <p data-bbox="288 418 448 450">Knowledge</p> <ul data-bbox="288 454 1299 551" style="list-style-type: none"> • Definition or implied understanding of monetary policy and objectives set for it; impact on interest rates on borrowing costs, consumers' discretionary income, £ exchange rate <p data-bbox="288 589 453 620">Application</p> <ul data-bbox="288 624 1283 687" style="list-style-type: none"> • To a range of UK businesses – those more greatly affected than others, for example <p data-bbox="288 725 413 757">Analysis</p> <ul data-bbox="288 761 1299 1032" style="list-style-type: none"> • Low cost of borrowing – might encourage business investment if project profitability exceeds finance costs • Consumers' discretionary incomes rising could boost demand for income elastic products • Increased credit purchases • Low mortgage costs – impact on construction businesses • Tend to lead to depreciation of £ - post Brexit depreciation was greater because of low UK interest rates <p data-bbox="288 1070 440 1102">Evaluation</p> <ul data-bbox="288 1106 1262 1310" style="list-style-type: none"> • Positive impact might be cancelled out by inflation if price rises are stimulated by high consumer demand • High house prices – social divisions not good for social stability • £ depreciation has raised cost of imports • Investment will not increase if the economic outlook remains gloomy – possible reference to disappointing GDP data. | 40 |

| Question | Answer | Marks |
|----------|---|-------|
| 28 | <p>‘Wonder what your customer really wants? Ask. Don’t tell.’ (Lisa Stone, BlogHer co-founder and CEO)</p> <p>Evaluate whether it is important for all new business start-ups to undertake market research.</p> <p><i>Answers could include:</i></p> <p>Knowledge</p> <ul style="list-style-type: none"> • Nature, purpose and methods of market research <p>Application</p> <ul style="list-style-type: none"> • To a range of UK business start-ups (if applied only to larger, established businesses L1 application) <p>Analysis</p> <ul style="list-style-type: none"> • Reduces risk for all businesses • Market orientation – helps to increase the likelihood of new product/service being accepted by the market • Fast changing market trends and customer tastes – need more market research in these industries • Start-up businesses may not obtain loan finance without evidence of market research in business plan – showing potential market size • Primary market research can be expensive e.g. detailed market research reports but secondary research can be low cost. Method used may depend on budget available. <p>Evaluation</p> <ul style="list-style-type: none"> • Start-up business based on entrepreneur’s own skills/interests/experience might not need much market research • If no external loans required, entrepreneur might not need to undertake any for reasons of obtaining finance • Business start-ups that plan to operate in slow changing markets with no risk of technological or other changes might need little market research • If new business is selling a completely new product or service then market research might be more important. • Product oriented businesses e.g. specialist watch repairer, will focus on service quality not market research. | 40 |