

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**

GCE Advanced Subsidiary and Advanced Level

**MARK SCHEME for the November 2005 question paper**

**9707 BUSINESS STUDIES**

**9707/01**

**Paper 1 (Short Answer/Essay) maximum raw mark 40**

This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which Examiners were initially instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began. Any substantial changes to the mark scheme that arose from these discussions will be recorded in the published *Report on the Examination*.

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*.

The minimum marks in these components needed for various grades were previously published with these mark schemes, but are now instead included in the *Report on the Examination* for this session.

- CIE will not enter into discussion or correspondence in connection with these mark schemes.

CIE is publishing the mark schemes for the November 2005 question papers for most IGCSE and GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

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

- One appropriate reason given. 1
- Two appropriate reasons given 2

(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 (eg redundancy or outsourcing of jobs), healthy living issues (eg soft drinks, fast food, tobacco or alcohol). Can be opportunity for firms to produce ethical products, eg 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, eg 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

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- 4 (a) The measurement of individual tasks to determine method, motion etc.
- Partial explanation given 1  
Full explanation of term 2
- (b) To improve productivity by redesigning job to improve efficiency or speed. To use measured time taken to do a task to decide on price to be charged. To apply standard times for payment of workers and setting targets. Often associated with Taylor and motivation through piece work payments.
- 1 relevant way stated 1  
2 relevant ways stated 2  
3 relevant ways stated 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 P&L 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.

Knowledge and Application	Analysis and Evaluation
Level Two: Gives substantially correct explanation of purpose of each account. 3-4 marks	
Level One: Gives vague explanation of purpose of both accounts or adequate explanation of one. 1-2 marks	Level One: Distinguishes between uses of the two accounts with explanation of use by shareholders and other stakeholders. 1-4 marks

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- 5 (b) Management are mainly concerned with efficiency. They will be using accounts to show performance, especially through ratios, such as profit margins, the relationship of costs to sales, debtor & stock control etc. So they will analyse the Trading Account in the P&L 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.

Knowledge and Application	Analysis and Evaluation
Level Two: Gives aspects each group might seek with distinction between groups. 3-4 marks	Level Two: Evaluates the ways in which accounts are useful, but also fail to show key factors for both sides. 5-8 marks
Level One: Just states points that either group might look for in accounts. 1-2 marks	Level One: Explains how the groups differ in the use they have for accounts, based on their objectives. 1-4 marks

- 6 Answers should include discussion of what HRM means and distinction between that and personnel manager. Personnel manager usually just deals with low level issues such as advertising for staff and dealing with mundane grievances or queries. HR manager means giving manpower issues greater emphasis, suggesting its strategic importance is recognised. Specialist human input into top level decision-making of business should make for greater awareness of importance of people to organisation.

FIRM manager will not just deal with recruitment but will plan HRM needs in advance to ensure internal provision of suitably trained and qualified staff as well as bringing in experts from outside. Will look after induction, ongoing training and motivational issues to ensure a fully productive workforce. Will also deal with changes involving workforce including redundancies.

On the other hand, trend in lean operations is for FIRM issues to be handled at a lower level, giving line managers responsibility for their own staff recruitment & training. Staff functions away from line control are unfashionable these days. Much will depend on type of operation and extent to which HR issues can be satisfactorily managed by line management, but having a HR manager will give greater significance to HR issues.

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Knowledge and Application	Analysis and Evaluation
Level Two: Extensive knowledge of different aspects of function of HR manager compared with personnel officer. 5-8 marks	Level Two: Evaluation of extent to which separate HR manager satisfies needs of firm to operate efficiently and motivate staff awareness of strategic issues. 9-12 marks
Level One: Basic awareness of role of HR manager. 1-4 marks	Level One: Analysis of benefits of having HR manager compared with dealing with HR issues on a local level. 1-8 marks

- 7 (a) Advantages should include factors such as personal service, high quality and higher prices, the ability to change course as market changes, closeness to customers. Disadvantages include lack of finance, inability to gain economies of scale, uncompetitive prices, difficulty in competing with supermarkets. Much will depend on purchasing habits of customers, wealth of customer base and closeness of competition. Supermarkets are increasingly going for local outlets.

Knowledge and Application	Analysis and Evaluation
Level Two: Gives pros and cons successfully of being small. 3-4 marks	
Level One: Only one side of question answered or both sides in no depth. 1-2 marks	Level One: Analyses pros/cons in light of food industry demands, referring to competition, customer base etc., but emphasising threats. 1-4 marks

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(b) Much will depend on competitive environment. Many governments are anxious to attract large businesses as they create lots of jobs and wealth. Small businesses are often lifeblood of economy and create jobs and wealth country-wide. They are often more labour-intensive and create more jobs. Often they need support to develop and grow. This may take form of grants, loan guarantees, specialist advice, location support, help with training, exporting etc. But government cannot always afford to give support and many small firms survive successfully without, so financial aid could be unnecessary and a waste.

Knowledge and Application	Analysis and Evaluation
Level Two: Understands special support needs of small firms. 3-4 marks	Level Two: Evaluates need to strike balance between support for firms and cost of doing so. 5-8 marks
Level One: Some awareness of ways of government support shown. 1-2 marks	Level One: Analysis of why governments often supports small businesses for good of economy. 1-4 marks