

MARK SCHEME for the May/June 2007 question paper

9707 BUSINESS STUDIES

9707/01

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

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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.

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Section A (Short Answer)

- 1 (a) Answers could refer to the objective of providing a merit good free at the point of delivery – or emphasis on social aspects of activity – free from or influenced by profit/commercial considerations.

Some understanding of a public sector organisation objective. [1]
Clear understanding of a public sector organisation objective. [2]

- (b) Answers could refer to the general corporate principles of limited liability and separate legal identity, and specifically to those applying to a public limited company, e.g. stock exchange listing, minimum size, ability to offer shares to general public, ownership and control clearly separated, economies of scale, continuity etc.

Limited understanding of some feature(s) of a PLC. [1]
Good understanding of main features of a PLC. [2]
Full explanation of main features of a PLC. [3]

- 2 (a) Acceptable Profitability ratios:

- 1 Return on capital employed

$$\frac{\text{Net Profit}}{\text{Capital Employed}}$$

- 2 Gross Profit Ratio / Margin

$$\frac{\text{Gross Profit}}{\text{Sales}}$$

- 3 Net Profit Ratio / Margin

$$\frac{\text{Net Profit}}{\text{Sales}}$$

States the name of a profitability ratio (without formula or wrong formula). [1]
States the name of a profitability ratio and gives the formula (correctly). [2]

- (b) There are many factors that might affect the profitability of a business (micro and macro), e.g., the nature of the product (luxury or necessity), the market segments being targeted, level of competition, cost structure of the business, changes in the external environment.

Limited understanding of one factor affecting a business's profitability. [1]
Some understanding of two factors. [2]
Full understanding of two factors. [3]

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3 Break-even analysis is a technique that allows a business to see at what level of output its total revenue just equals its total cost. A tinned foods manufacturer can estimate the number of tins it must make and sell in order to begin making profit and can estimate how many tins it needs to sell in order to earn a target profit. The technique can allow it to estimate the effects of projected changes in price and in variable costs and to estimate the effects on profit of increases in fixed costs over time – so useful for forward planning, prediction of impact of variable changes, showing profit/loss earned at each possible level of output, and to establish a ‘margin of safety’ (indication of how much demand a business could afford to lose before making a loss).

- Limited attempt to define the technique. [1]
- Sound understanding of the technique / limited understanding of its usefulness. [2]
- Good understanding of the technique and its usefulness. [3–4]
- Full understanding of the technique and its usefulness. [5]

4 (a) Mean is the most commonly used measure of central tendency. It is the arithmetic average / the sum of the values divided by the total number of items in a set (sum of x/n).

Median is the midpoint of a range of data.

- ONE correct definition or TWO partial definitions. [1]
- TWO correct definitions. [2]

(b) Examples might be salaries in a company, quality control costs, sales figures, monthly complaint figures, absenteeism figures etc. – where the median calculation, unlike the mean, would not be affected by extreme values and hence the resulting calculation is regarded as more ‘robust’. (A skewed distribution could significantly distort a mean). A median is also more likely to be a discrete number, rather than a decimal pointed figure, as in a mean.

- Understanding shown of a relevant business situation. [1]
- Good understanding of the Median with some appreciation of the business use of Median. [2]
- Full description of a business situation using the Median. [3]

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Section B (Essay)

- 5 (a) If manpower planning is defined as the area of Human Resource Management, which is concerned to identify and meet labour shortfalls, review employees current skills, and help employees achieve their potential, then there are many factors a manager of a large hotel might consider, such as demand factors (customers, number and type of services offered, labour turnover, retirements, resignations, dismissals etc.) and supply factors (local competition, wage rates etc.). Answers will likely focus on demand side.

Sound analysis of factors in context, with attempt (perhaps implicit) to comment on relative significance of factors. [7–8]
Sound analysis and understanding of factors to be considered in carrying out manpower planning in a large hotel. [5–6]
Sound understanding of factors to be considered in carrying out manpower planning. [3–4]
Shows some limited awareness of factors determining the need for personnel (manpower planning). [1–2]

- (b) Answers should discuss methods of job re-design as propounded by Herzberg, such as job rotation, job enlargement, job enrichment and relate these to ideas relating to worker motivation – the encouragement to do a good job. One of the major factors which, it is argued, de-motivate workers is ‘boring’ jobs. So the reduction of repetitive tasks through moving workers between different jobs, or giving additional tasks and responsibilities is suggested as a means of reducing boredom and increasing motivation. Reference might be made to methods of job re-design, such as delegation, empowerment and training. Strong answers might consider the context of work situations and workers in limiting the possibility of job re-design.

Evaluative comment on the ‘extent’ to which job re-design might improve workers’ motivation. [11–12]
Sound analysis of some methods of job re-design (reference to relevant motivational theory gains reward at upper level, as does explicit context – hotel manager). [8–10]
Some discussion of job re-design issues / aspects / devices / methods. [3–7]
Outlines one or two aspects of job re-design with little discussion. [1–2]

- 6 The syllabus distinguishes between short and long term finance and between internal and external sources of finance. Internal sources are given as retained profits and sale of assets, whilst external ones are listed as share capital, venture capital, loan capital, overdrafts, bank loans and debentures. An effective response will require a candidate to interpret the context of replacing machinery in a large business and develop an appropriate discussion based upon that (reasonable) interpretation.

Some evaluative comment, in context, such as explicit judgement with regard to the appropriateness of specific sources. [17–20]
Sound analysis of sources of finance for businesses (reference to the context of this business situation will merit marks towards the top of this level). [11–16]
Some description of sources of finance available to businesses. [5–10]
Limited awareness of sources of finance available to businesses. [1–4]

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- 7 (a) Candidates might take a macro or micro approach to this question – both would be acceptable. General factors might include levels of incomes, state of the economy (recession or boom, general trade cycle, government intervention / tax / monetary policy etc.). Alternatively, candidates might focus on issues such as product price, competitor prices, quality, advertising etc.
- Attempts some discussion / judgement on the most important determinants of demand for consumer goods. [7–8]
Sound understanding and analysis of ways in which demand for consumer goods might be affected by different determinants. [5–6]
Shows good understanding of the determinants of demand. [3–4]
Shows some awareness of the determinants of demand. [1–2]
- (b) Candidates could define market segmentation and identify different means of such segmentation, e.g. age, income, location, tasks etc.
- Attempt at evaluative comment in context, e.g. likely successful means of segmentation. [11–12]
Analyses ways in which the market might be segmented, with a clear focus on the clothing market. [8–10]
Shows good understanding of market segmentation. [3–7]
Shows some understanding of market segmentation. [1–2]