

**MARK SCHEME for the May/June 2009 question paper  
for the guidance of teachers**

**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 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 must be read in conjunction with the question papers and the report on the examination.

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

CIE is publishing the mark schemes for the May/June 2009 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

Page 2	Mark Scheme: Teachers' version	Syllabus
	GCE A/AS LEVEL – May/June 2009	9707

- 1 (a) The statement could include the following:  
Skimming is the setting of a high price for a new product in order to maximise profit in the short term. Penetration is the setting of a low price and smaller profit margins in order to increase/gain market share.
- A statement that indicates some understanding. [1]  
A statement that indicates full understanding. [2]
- (b) Explanations could include: company is in a position to exploit a skimming pricing strategy e.g. product has scarcity value, originality/innovation, in a temporary monopoly position, absence of competition initially i.e. the conditions exist in a market to pursue a skimming strategy in pursuit of profit maximisation.
- Limited attempt to explain the circumstances favourable for the pursuit of a skimming pricing strategy. [1]  
Sound explanation of business choice of a skimming pricing strategy. [2]  
Developed explanation of a business choice of a skimming pricing strategy. [3]
- 2 (a) Definitions such as spending on business resources that can be used repeatedly over a period of time – the purchase of fixed assets – new factory, machinery, vehicles etc.
- A definition that indicates some understanding. [1]  
A definition that demonstrates full understanding. [2]
- (b) Sources such as share capital, long term loan capital (debentures, mortgages, venture capital), leasing, bank loans (long term), hire purchase, sell fixed assets.
- ONE relevant source described or two identified. [1]  
TWO relevant sources described or one source well described. [2]  
3 marks awarded if the description of the TWO relevant sources is well described. [3]
- 3 Advantages such as create jobs, improve living standards, develop infrastructure, introduce new technologies, new products/services, act as a catalyst for local/regional regeneration and national economic growth.
- Disadvantages such as exploit local low cost labour, force local companies out of business, send profits out of the country, cause local environmental problems/pollution, fail to invest in the local economy, ignore and contravene local cultural traditions.
- Some understanding/definition of a multi-national company only or  
A statement of one advantage or  
A statement of one disadvantage. [1]  
Explanation of ONE advantage. [2]  
Explanation of ONE disadvantage. [2]  
Developed explanation of ONE advantage and ONE disadvantage. [5]

Page 3	Mark Scheme: Teachers' version	Syllabus
	GCE A/AS LEVEL – May/June 2009	9707

- 4 (a) Definitions such as 'the way we do things around here' – a set of values and shared beliefs of a corporate/business/organisation/community – the glue that binds the organisation.
- A definition that indicates some understanding. [1]  
A definition that indicates full understanding. [2]
- (b) Factors such as origin and development, influence of founders, impact of managers/leaders, impact of the 'type' of business, large, small, nature of activity e.g. manufacturing, 'engineer culture', service/customer-led culture, role, task, power, person, entrepreneurial v bureaucratic.
- Identification of a relevant factor with limited explanation. [1]  
Explanation of a relevant factor. [2]  
Good explanation of a relevant factor. [3]
- 5 (a) Explanation could include an initial definition or statement of effective stock control – stocks not too high or too low – avoid unnecessary holding costs, storage costs, insurance costs, – theft – deterioration etc. – or opportunity costs of low stocks – losing customers – reference to importance – implications of poor stock control – competition – business at risk – low profits etc. – retail context – empty shelves – out of date fashions.
- Sound analysis of effectiveness and/or importance in the context of retailing. [7–8]  
Analysis of stock control issues with possible reference to effectiveness and importance. [5–6]  
Some understanding of stock control issues. [3–4]  
Limited understanding of stock control. [1–2]
- (b) Discussion could define JIT and review the conditions for JIT to work.  
Advantages will be outlined such as low storage costs, low waste, cost control, liquidity improves, quick response to market needs etc.  
Disadvantages – reliance on suppliers, order processing, costs increase, delivery problem possibilities – requires flexible working etc – application to retail context.
- Evaluative comment on the challenge of managing a JIT system with reference to retailing. [11–12]  
Analysis of advantages and disadvantages of JIT in context. [8–10]  
Shows good understanding of advantages and disadvantages of JIT. [3–7]  
Shows some understanding of JIT. [1–2]
- 6 Discussion should focus on TWO motivation theories (theorists) and 1) outline the theory e.g. scientific management – stick and carrot – money – (Taylor) – HR – team work (Mayo) – Hierarchy of needs (Maslow) – Theory X and Y (McGregor) – two factor theory (Herzberg) etc. 2) discuss usefulness of TWO theories – application to employee and organisational needs.
- Evaluative comment on the factors/context affecting potential impact of motivation theories on worker motivation. [17–20]  
Analysis of two motivation theories with an explicit focus on value/usefulness re worker motivation. [11–16]  
Some descriptive comment on motivation theories with limited focus on usefulness. [5–10]  
Limited awareness and discussion of motivation theory(s). [1–4]

Page 4	Mark Scheme: Teachers' version	Syllabus
	GCE A/AS LEVEL – May/June 2009	9707

7 (a) Discussion could initially define a new business and give an example – problems and discussed could include the following: financial – start-up costs – cash flow – funding; marketing – establishing a position, decisions on advertising – promotion; production – relations with suppliers – stock control; pricing – strategy – competitors break even – profit etc. There are endless possibilities dependent on the context and type of new start-up business chosen. Focus must be on some sort of new business in a first year of trading.

Sound analysis of specific identified problems facing a new business in the first year of trading. [7–8]

Analysis of early (first year) new business issues/problems. [5–6]

Some understanding of early (first year) new business issues/problems. [3–4]

Limited awareness of new business problems. [1–2]

(b) Explanation could initially define and discuss market research – primary and secondary. Candidates may assume the context of 7 (a) – first year trading or adopt an alternative time-frame. Examples of the use of market research in reducing problems of a new start-up business might include reference to issues such as securing information on the product/service provided – competitor products – possible pricing strategies – strength of competitors – source of competition – alternative promotion opportunities – size of market – how segmented – customer behaviour etc – reduce uncertainty risk – provide quality data/information.

Evaluative comment e.g. comment on the significance of market research in reducing problems of a new start-up business. [11–12]

Analysis of market research activities/information that might reduce problems facing a new start-up business. [8–10]

Shows understanding of market research activities relevant to problems facing a new start-up business. [3–7]

Shows some understanding of market research. [1–2]