

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

9707 BUSINESS STUDIES

9707/03

Paper 3 (Case Study), 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.

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1 Assume Eastern Motors has a factory in your country. Analyse the impact of any controls on this factory's operations.

	Knowledge 2 marks	Application 2 marks	Analysis 4 marks
Level Two	2 marks Two laws suggested OR one law plus general understanding of legal controls	2 marks Both applied to case	4–3 marks Both explained using theory/reasoning
Level One	1 mark One law suggested or general understanding of legal controls	1 mark One applied to case	2–1 marks One explained using theory/reasoning OR weak analysis of both

Answers could include:

- Two laws stated (or general thrust of laws) e.g. health and safety, pollution controls, minimum wages, employment contracts etc.
- Application: Apply to car business/EM company.
- Analysis: Explains impact – could be either negative or positive.
- May raise costs e.g. safety guards around machines; higher wages; pollution controls
- May give workers more security and promote motivation amongst them.

2 (a) Using data from Appendix B, calculate for the Northcape factory in 2008:

(i) **The proportion of staff who left** [2]
18.2% (accept 18%)

(ii) **Output of cars per worker** [2]
70 cars

Content 1 mark for each reasonable attempt **OR** correct formula
2 marks for each correct answer

(b) "If we can increase productivity and reduce wastage and absenteeism in the Northcape factory then this will make use more competitive". Recommend an appropriate Human Resources strategy to achieve this objective. Support your recommendation. [16]

	Knowledge 2 marks	Application 2 marks	Analysis 5 marks	Evaluation 7 marks
Level Two	2 marks Good knowledge of HR strategy shown OR two relevant suggestions OR some knowledge plus one suggestion	2 marks Good application to case	5–3 marks Good use of theory and/or reasoning to support answer	7–4 marks Good judgement shown in answer and conclusion OR excellent overall conclusion
Level One	1 mark Some knowledge of HR strategy OR one relevant suggestion	1 mark Some application to case	2–1 marks Some use of theory or reasoning to support answer	3–1 marks Some judgement shown

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Answers could include:

- Use of Appendix B; existing strategy does not seem to be working – refer to results from a); use participative approach, salaries for job security and non-financial means of motivation.
- Application: Low income country with few legal controls – but this does not seem to mean that a low cost/Taylor based HR strategy will achieve good employee performance.
- Analysis: Use of appropriate theories and concepts to put arguments forward for a new HR strategy.
- Evaluation: Will new strategy raise costs before it raises productivity and competitiveness?
- Is management in Northcape able to change its approach to staff effectively? Which changes are the most important – and why?

3 To what extent do you agree with the Chief Executive when he states that “research and development spending always results in innovative products and increases profits”? [16]

	Knowledge 2 marks	Application 2 marks	Analysis 5 marks	Evaluation 7 marks
Level Two	2 marks Good knowledge of research and development	2 marks Good application to case	5-3 marks Good use of theory and/or reasoning to support answer	7-4 marks Good judgement shown in answer and conclusion
Level One	1 mark Some knowledge of research and development	1 mark Some application to case	2-1 marks Some use of theory or reasoning to support answer	3-1 marks Some judgement shown

Answers could include:

- Define R and D: Scientific research and technical development of new products and processes. Award 1 mark for clear/implied understanding of technical as opposed to market research.
- Gives possible benefits of innovative design, products, processes.
- Application: Other firms are spending more, EM concentrate on family cars – will need a lot of R and D to design completely new models, will market research be done first? – Chief Executive seems very keen to go ahead straightaway.
- Analysis: Use of appropriate theory and concepts to explain potential benefits of USP, innovation, niche designs, less price elastic demand.
- Evaluation: More R and D spending does not always generate successful innovative products – especially if market research has not been undertaken first.
- Use made of Appendix C – one rival spends much more on R and D yet has fewer products and slower sales growth – therefore, not always successful? Other firms may be even more successful.

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4 (a) Calculate the following ratios for EM in 2008:

(i) **Gross profit margin**
22%

(ii) **Net profit margin** [3]
9.3% (accept 9.0%)

- 1 mark for each formula
- 1 for attempted calculation
- 3 marks for correct answer

(b) Analyse two possible reasons for EM's falling gross profit margin. [6]

	Knowledge 2 marks	Application 2 marks	Analysis 2 marks
Level Two	2 marks Two reasons suggested	2 marks Both applied to case	2 marks Both explained using theory/reasoning
Level One	1 mark One reason suggested	1 mark One applied to case	1 mark One explained using theory/reasoning

Answers could include:

- Content/Application: Cost of goods sold rising faster than price – evidence from case. EM not able to raise prices as fast/high as competitors – evidence from case.
- Analysis: Explains suggestions made showing detailed knowledge of results of the ratios and/or understanding of "margin".

(c) Evaluate two ways in which EM might increase its net profit margin. [8]

	Knowledge 2 marks	Application 2 marks	Analysis 2 marks	Evaluation 2 marks
Level Two	2 marks Two suggestions made	2 marks Both applied to case	2 marks Use of theory and/or reasoning to support both suggestions	2 marks Judgement shown in both cases
Level One	1 mark One suggestion made	1 mark One applied to case	1 mark Use of theory or reasoning to support one suggestion	1 mark Judgement shown in one case

Answers could include:

- Raise prices, cut cost of goods sold, cut overheads, reduce wastage – allow 2 marks for two different cost reductions (but zero marks for "increase sales" or "increase revenue" unless further explanation indicates understanding of increased NPM)
- Apply to a car manufacturing business/EM
- Analysis: Explains how these would improve NPM
- Evaluation: PED if price rises? Competitors' reactions to price changes?
- Impact on quality if COGS is reduced?
- Impact on sales if promotion overheads are cut?
- Increased training costs could raise costs in short run but increase NPM in long run

5 Recommend whether EM should set up and operate its own car retailing business in Country Z? Justify your recommendation.

	Knowledge 2 marks	Application 2 marks	Analysis 5 marks	Evaluation 7 marks
Level Two	2 marks Good knowledge of issues shown e.g. two relevant points	2 marks Good application to case	5–3 marks Good use of theory and/or reasoning to support answer	7–4 marks Good judgement shown in answer and conclusion
Level One	1 mark Some knowledge of issues e.g. one relevant point	1 mark Some application to case	2–1 marks Some use of theory or reasoning to support answer	3–1 marks Some judgement shown

MARKERS' NOTE: L1 MAX. FOR ANALYSIS AND EVALUATION IF ONE-SIDED ANSWER
Answers could include:

- Vertical retailing, any benefits or drawbacks stated e.g. no experience but gives control over marketing mix and the marketing strategy that EM aims for.
- Application: No other retail outlets; new market so no local knowledge which an agent would have, stock holding costs of cars can be high
- Analysis: Use of theory/concepts to explain either benefits or limitations of this proposal.
- Evaluation: Judgement needs to be supported and weighed up against the other side. Better to open outlets in markets that they have some knowledge of?
- Is it worthwhile selling cars to Country Z at all?

Both 6 and 7 use the following mark grid:

	Knowledge 4 marks	Application 2 marks	Analysis 6 marks	Evaluation 8 marks
Level Three				8–7 marks Good judgement shown in answer and conclusion
Level Two	4–3 marks Good knowledge shown	2 marks Good application to case	6–4 marks Good use of theory and/or reasoning to support answer	6–4 marks Good judgement shown in answer and/or conclusion
Level One	2–1 marks Some knowledge shown e.g. definitions of market segment (or multinational company)	1 mark Some application to case	3–1 marks Some use of theory or reasoning to support answer	3–1 marks Some judgement shown

MARKERS' NOTE: FOR BOTH QUESTIONS, L1 MAX FOR ANALYSIS AND EVALUATION IF ANSWERS IS ONE-SIDED

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6 In your opinion should EC go ahead with the plan to start producing luxury and premium cars to sell in new market segments? Justify your decision.

Answers could include:

- Ansoffs matrix. Analysis of risk involved. Has company sufficient experience in a new market? Knowledge of these market segments? Cost of developing new models. Time consideration – perhaps other strategies could be introduced more quickly in an attempt to increase sales?
- **For:** Use of Appendix C; able to increase prices and profit margins, market is changing and consumers need more choice. EM have limited product range at present.
- **Against:** Environmental concerns; government legal changes; pressure group activity; world growth slowing. By the time these cars are developed, the market for them may have fallen significantly.
- Final judgement must be based on consideration of both sides.

7 “Increasing opportunities for multinational investment by car manufacturers will create more threats than opportunities for EM.” To what extent do you agree with this statement? [20]

Answers could include:

- Understanding of MNC investment and analysis of external opportunities and threats.
- **Threats:** Increased competition, need to cut costs and maintain international competitiveness, no trade protection, larger businesses able to set up and compete in all markets that EM operates in.
- **Opportunities:** New markets, economies of scale, rise in globalisation and free trade (of which MNC investment is a part) means there is less chance of unfair competition from protected or subsidised competitors, EM can expand into low labour cost countries or emerging, growing markets. Apply to EM or car industry.
- Evaluation: MNC investment threats and potential opportunities explained and weighed up in the context of this existing multinational business or other firms in the car industry. Better answers will consider costs/benefits of opening of new markets and locating in low cost countries