
BUSINESS

9609/21

Paper 2 Data Response

May/June 2017

MARK SCHEME

Maximum Mark: 60

Published

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Question	Answer	Marks																										
1(a)(i)	<p data-bbox="300 248 967 282">Define the term ‘economies of scale (lines 1–2).</p> <table border="1" data-bbox="317 315 1315 517"> <thead> <tr> <th data-bbox="317 315 1099 365">Knowledge</th> <th data-bbox="1099 315 1315 365">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="317 365 1099 414">A correct definition</td> <td data-bbox="1099 365 1315 414">2</td> </tr> <tr> <td data-bbox="317 414 1099 463">A partial, vague or unfocused definition</td> <td data-bbox="1099 414 1315 463">1</td> </tr> <tr> <td data-bbox="317 463 1099 517">No creditable content</td> <td data-bbox="1099 463 1315 517">0</td> </tr> </tbody> </table> <p data-bbox="300 551 708 584">A correct definition will contain:</p> <ul data-bbox="300 584 751 656" style="list-style-type: none"> • decreasing unit/average costs • as output rises <table border="1" data-bbox="317 685 1315 1155"> <thead> <tr> <th data-bbox="317 685 853 734">Exemplar</th> <th data-bbox="853 685 981 734">Marks</th> <th data-bbox="981 685 1315 734">Rationale</th> </tr> </thead> <tbody> <tr> <td data-bbox="317 734 853 819">As a firm produces more the average cost falls</td> <td data-bbox="853 734 981 819">2</td> <td data-bbox="981 734 1315 819">A correct definition</td> </tr> <tr> <td data-bbox="317 819 853 904">Unit costs decrease due to an increase in size</td> <td data-bbox="853 819 981 904">1</td> <td data-bbox="981 819 1315 904">Partial</td> </tr> <tr> <td data-bbox="317 904 853 990">More output leads to a fall in costs</td> <td data-bbox="853 904 981 990">1</td> <td data-bbox="981 904 1315 990">No link to decreasing average/unit costs</td> </tr> <tr> <td data-bbox="317 990 853 1075">The savings a firm gets as it grows bigger</td> <td data-bbox="853 990 981 1075">1</td> <td data-bbox="981 990 1315 1075">Partial idea of increase in output</td> </tr> <tr> <td data-bbox="317 1075 853 1155">Lower costs because the firm is established</td> <td data-bbox="853 1075 981 1155">0</td> <td data-bbox="981 1075 1315 1155">No creditable content</td> </tr> </tbody> </table>	Knowledge	Marks	A correct definition	2	A partial, vague or unfocused definition	1	No creditable content	0	Exemplar	Marks	Rationale	As a firm produces more the average cost falls	2	A correct definition	Unit costs decrease due to an increase in size	1	Partial	More output leads to a fall in costs	1	No link to decreasing average/unit costs	The savings a firm gets as it grows bigger	1	Partial idea of increase in output	Lower costs because the firm is established	0	No creditable content	2
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1(a)(ii)	<p data-bbox="300 248 991 282">Briefly explain the term ‘buffer inventory’ (line 6).</p> <table border="1" data-bbox="317 315 1315 636"> <tr> <td data-bbox="325 315 400 465">C</td> <td data-bbox="400 315 1123 465">Example or some other way of showing good understanding, i.e. risky to hold too much/too little, link to liquidity, types of inventory (raw materials, in progress and finished) etc.</td> <td data-bbox="1123 315 1315 465">1 Mark</td> </tr> <tr> <td data-bbox="325 465 400 551">B</td> <td data-bbox="400 465 1123 551">An explanation of buffer, i.e. surplus, lowest amount etc.</td> <td data-bbox="1123 465 1315 551">1 mark</td> </tr> <tr> <td data-bbox="325 551 400 636">A</td> <td data-bbox="400 551 1123 636">An explanation of inventory, i.e. stock, supplies to produce, etc.</td> <td data-bbox="1123 551 1315 636">1 mark</td> </tr> </table> <p data-bbox="300 669 1294 837">This is when a business keeps surplus inventory in event of a problem with supply or an increase in demand for its products. This helps prevent the business from running out of supplies which could slow down or prevent production. Ties up working capital. Can be risky if buffer levels too high. No need to link to liquidity or risk of high levels of inventory.</p> <table border="1" data-bbox="317 871 1315 1559"> <thead> <tr> <th data-bbox="325 871 855 920">Exemplar</th> <th data-bbox="855 871 983 920">Marks</th> <th data-bbox="983 871 1315 920">Rationale</th> </tr> </thead> <tbody> <tr> <td data-bbox="325 920 855 1137">Raw materials that are kept in event of a problem with supply or an increase in demand for its products. For example MM might have a buffer stock of mirrors in case they have an increase in customers.</td> <td data-bbox="855 920 983 1137">3</td> <td data-bbox="983 920 1315 1137">Understanding of buffer and inventory and an example.</td> </tr> <tr> <td data-bbox="325 1137 855 1323">Stock that can be used in case there is a sudden increase in customers. The business will not want too much buffer inventory because it ties up money.</td> <td data-bbox="855 1137 983 1323">3</td> <td data-bbox="983 1137 1315 1323">Understanding of buffer and inventory and good understanding shown.</td> </tr> <tr> <td data-bbox="325 1323 855 1442">Surplus stock to make sure the business does not run out</td> <td data-bbox="855 1323 983 1442">2</td> <td data-bbox="983 1323 1315 1442">An understanding of both inventory and buffer.</td> </tr> <tr> <td data-bbox="325 1442 855 1559">The inventory a firm will keep to make sure it does not run out.</td> <td data-bbox="855 1442 983 1559">1</td> <td data-bbox="983 1442 1315 1559">Tautology with ‘inventory’ but an idea of buffer.</td> </tr> </tbody> </table>	C	Example or some other way of showing good understanding, i.e. risky to hold too much/too little, link to liquidity, types of inventory (raw materials, in progress and finished) etc.	1 Mark	B	An explanation of buffer, i.e. surplus, lowest amount etc.	1 mark	A	An explanation of inventory, i.e. stock, supplies to produce, etc.	1 mark	Exemplar	Marks	Rationale	Raw materials that are kept in event of a problem with supply or an increase in demand for its products. For example MM might have a buffer stock of mirrors in case they have an increase in customers.	3	Understanding of buffer and inventory and an example.	Stock that can be used in case there is a sudden increase in customers. The business will not want too much buffer inventory because it ties up money.	3	Understanding of buffer and inventory and good understanding shown.	Surplus stock to make sure the business does not run out	2	An understanding of both inventory and buffer.	The inventory a firm will keep to make sure it does not run out.	1	Tautology with ‘inventory’ but an idea of buffer.	3
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1(c)	Analyse <u>one</u> advantage and <u>one</u> disadvantage to Ben and Mary of changing MM from a partnership to a private limited company.				8
	Level	Knowledge and Application (4 marks)	Marks	Analysis (4 marks)	Marks
	2	Shows good understanding of moving from a partnership to a private limited company	4	Good analysis of one (or more) advantage(s) AND one (or more) disadvantage(s) of changing from a partnership to a private limited company	4
	2	Shows isolated understanding of moving from a partnership to a private limited company	3	Good analysis of one (or more) advantage(s) OR one (or more) disadvantage(s) of changing from a partnership to a private limited company	3
	1	Shows knowledge of partnerships AND private limited companies	2	Limited analysis of one (or more) advantage(s) AND one (or more) disadvantage(s) of a private limited company	2
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<p>Context/content:</p> <ul style="list-style-type: none"> • Training and development, survey shows this was rated poor by 25% of all employees. This is high. Therefore MM should ensure that employees have appropriate training to develop their skills and improve their morale. This may also help with opportunities for promotion. • Team working – morale is lower for employees involved in the production process and this may link to the flow production methods. Therefore team work may improve this as employees can work together and improve their sense of involvement • Fringe benefits and perks – although MM pay well, they could look at their perks and fringe benefits such as holiday periods as this may be a reason • Empowerment and participation – doing some focus groups with employees and/or creating worker representatives may enable MM to better understand the issues and therefore resolve them. 																																	
<p>Evaluation is likely to come from a candidate:</p>																																	
<p>Judging which methods could work best for MM and justifying this in the context for example, training and development given the survey outcomes</p>																																	
<p>Weighting their response, for example, why one method would be better than another is likely to lead an evaluative response.</p>																																	

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Problem	Possible solutions	Example of analysis	
Increasing labour turnover	Increase wages – link to retention	Already high. Increased costs	
	Use non-monetary motivation (e.g. holidays, perks, fringe benefits etc.)	Could increase costs – may be an alternative to higher wages.	
	Increase training/skills development	Increased costs – could be wasted if staff leave	
Decreasing applications	Better/more advertising	Increased costs – what is the cause of the fall? Demographics, word of mouth etc.	
	Increase wages	Already high. Increased costs	
	Increase training/skills development	Could improve word of mouth – may attract younger applicants, but increased costs	
High management and labour costs	Reduce wages	Decrease motivation and increase labour turnover further	
	Change payment system (i.e. piece rate, retention bonus etc.)	May not increase costs (could fall) and may increase retention, but may demotivate some workers	
	Increase capital/reduce labour	Needs investment - already using flow production – could reduce quality, may further reduce motivation	
Low motivation – lower in production workers	Improve hygiene factors (poorer in production)	Are conditions poor? If so can it be improved without increasing costs?	
	Teamwork/cell production	May conflict with flow production	
Poor skills development	Increase training/skill development	Increased costs but could improve quality and retention	
	Increase capital/reduce labour	Needs investment – already using flow production – could reduce quality, may further reduce motivation	
Poorly trained/skilled workers	Increase training/skill development	Increased costs but could improve quality and retention	
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2(a)(i)	<p data-bbox="300 248 783 282">Define the term ‘revenue’ (line 14).</p> <table border="1" data-bbox="311 315 1321 517"> <thead> <tr> <th data-bbox="311 315 1121 365">Knowledge</th> <th data-bbox="1121 315 1321 365">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="311 365 1121 414">A correct definition</td> <td data-bbox="1121 365 1321 414">2</td> </tr> <tr> <td data-bbox="311 414 1121 463">A partial, vague or unfocused definition</td> <td data-bbox="1121 414 1321 463">1</td> </tr> <tr> <td data-bbox="311 463 1121 517">No creditable content</td> <td data-bbox="1121 463 1321 517">0</td> </tr> </tbody> </table> <p data-bbox="300 551 1318 618">Revenue is the money that flows into a business from selling its goods/services to consumer. Revenue is calculated by selling price * quantity.</p> <table border="1" data-bbox="311 651 1321 1272"> <thead> <tr> <th data-bbox="311 651 759 719">Exemplar</th> <th data-bbox="759 651 911 719">Marks</th> <th data-bbox="911 651 1321 719">Rationale</th> </tr> </thead> <tbody> <tr> <td data-bbox="311 719 759 815">Price × Quantity</td> <td data-bbox="759 719 911 815">2</td> <td data-bbox="911 719 1321 815">A reasonable definition of revenue</td> </tr> <tr> <td data-bbox="311 815 759 882">Money from sales</td> <td data-bbox="759 815 911 882">2</td> <td data-bbox="911 815 1321 882">A correct definition</td> </tr> <tr> <td data-bbox="311 882 759 949">Income from business activities</td> <td data-bbox="759 882 911 949">2</td> <td data-bbox="911 882 1321 949">A correct definition</td> </tr> <tr> <td data-bbox="311 949 759 1016">Revenue is sales</td> <td data-bbox="759 949 911 1016">1</td> <td data-bbox="911 949 1321 1016">A partial definition</td> </tr> <tr> <td data-bbox="311 1016 759 1113">The number of products a business sells</td> <td data-bbox="759 1016 911 1113">1</td> <td data-bbox="911 1016 1321 1113">A partial definition</td> </tr> <tr> <td data-bbox="311 1113 759 1209">Revenue is found at the top of the Income Statement</td> <td data-bbox="759 1113 911 1209">0</td> <td data-bbox="911 1113 1321 1209">Not a definition</td> </tr> <tr> <td data-bbox="311 1209 759 1272">Sales – total costs</td> <td data-bbox="759 1209 911 1272">0</td> <td data-bbox="911 1209 1321 1272">Confusion with profit</td> </tr> </tbody> </table>	Knowledge	Marks	A correct definition	2	A partial, vague or unfocused definition	1	No creditable content	0	Exemplar	Marks	Rationale	Price × Quantity	2	A reasonable definition of revenue	Money from sales	2	A correct definition	Income from business activities	2	A correct definition	Revenue is sales	1	A partial definition	The number of products a business sells	1	A partial definition	Revenue is found at the top of the Income Statement	0	Not a definition	Sales – total costs	0	Confusion with profit	2
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2(c)	Analyse two possible reasons why SA's objectives have changed over time.				8
Level	Knowledge and Application (4 marks)	Marks	Analysis (4 marks)	Marks	
2	Shows understanding of TWO (or more) possible reasons why SA's objectives have changed over time	4	Good analysis of TWO (or more) possible reasons why SA's objectives have changed over time	4	
	Shows understanding of ONE possible reason why SA's objectives have changed over time	3	Good analysis of ONE possible reason why SA's objectives have changed over time	3	
1	Shows knowledge of why a business objective might change	1–2	Limited analysis of TWO (or more) possible reason why a business's objectives may change over time	2	
			Limited analysis of ONE possible reason why a business's objectives may change over time	1	
<i>One reason analysed in context, max 3+3</i>					
Contextual analysis likely to come from:					
<ul style="list-style-type: none"> • Unrealistic original objective; one shop to become market leader? • Not specific enough original objective; market leader where? • Legal structure has changed to plc, so shareholders may now be part of the objective • Core business has changed – now in secondary and tertiary sector • Now producing and selling home alarms, not car alarms • Tastes may have changed • New focus on the industrial market. • The priority of objectives may have changed 					

Question	Answer	Marks						
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2(d)	Discuss suitable market research methods that SA could use before deciding whether to launch the new service.				11	
Knowledge and Application (4 marks)		Marks	Analysis and Evaluation (7 marks)			Marks
			Justified evaluation based on the suitability of TWO (or more) market research methods in context			7
			Evaluation based on the suitability of TWO (or more) market research methods in context			6
			Evaluation based on the suitability of ONE market research method in context			5
Shows understanding of TWO (or more) market research methods in context		4	Argument based on TWO (or more) market research methods in context			4
Shows understanding of ONE market research method in context		3	Argument based on ONE market research method in context			3
Shows knowledge of TWO (or more) market research methods		2	Limited analysis of TWO (or more) market research methods			2
Shows knowledge of ONE market research method		1	Limited analysis of ONE market research method			1
No creditable content (0 marks)						
<p><i>Primary and secondary can be treated as methods</i></p> <p>Context/content:</p> <p>Primary</p> <ul style="list-style-type: none"> • Focus groups linked to their current home or business customers, advantages of focus groups (can cover profile of customers, have a dialogue, ask/respond to questions) • Surveys/questionnaires to business or home customers (advantages: more quantitative data can be analysed, large sample used; disadvantages: cost, customers may not complete, would need a large sample to be accurate of the results) • Interviews to business/home customers (advantages: 1–1 contact, can have a very detailed conversation, qualitative data can come through; disadvantages: cost, expertise to ask the correct questions, compiling the results can take time) 						

Question	Answer	Marks
	<ul style="list-style-type: none"> • Surveys of the competition – do they provide this service? What is the cost? usefulness: being in line with market trends. <p>Secondary</p> <ul style="list-style-type: none"> • Reports on the market from marketing specialists • Analysis of crime statistics/reports on the area • Any newspaper articles about crime/local area • Economic/demographic information: unemployment, households, incomes • Advantages of secondary: can be easily available, most available on-line, cheaper • Disadvantages: not as accurate, may be out of date, lack of qualitative data <p>Evaluation is likely to come from a candidate:</p> <p>Judging which market research methods could work best for SA and justifying this in the context for example, surveys to current customers</p> <p>Weighting their response, for example, why one method would be better than another is likely to lead an evaluative response.</p>	