
BUSINESS

9609/23

Paper 2 Data Response

May/June 2017

MARK SCHEME

Maximum Mark: 60

Published

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Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the May/June 2017 series for most Cambridge IGCSE[®], Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

Question	Answer	Marks																							
1(a)(i)	<p>Define the term ‘shareholders’ (line 1).</p> <table border="1" data-bbox="248 315 1390 517"> <thead> <tr> <th data-bbox="248 315 1134 365">Knowledge and Application</th> <th data-bbox="1134 315 1390 365">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="248 365 1134 414">A correct definition</td> <td data-bbox="1134 365 1390 414">2</td> </tr> <tr> <td data-bbox="248 414 1134 463">A partial, vague or unfocused definition</td> <td data-bbox="1134 414 1390 463">1</td> </tr> <tr> <td data-bbox="248 463 1134 517">No creditable content</td> <td data-bbox="1134 463 1390 517">0</td> </tr> </tbody> </table> <p><i>A correct definition must show the difference between a shareholder and an owner / (part) owner of a company, has limited liability etc.</i></p> <p>A shareholder is the owner/part owner of a company/incorporated business. Can be private or public limited company. A shareholder tends to buy shares and sell when they increase in value. A shareholder will expect dividends from the profits as a return on their investment. A shareholder has voting rights at the AGM and invests in a business/has voting rights.</p> <table border="1" data-bbox="248 853 1390 1234"> <thead> <tr> <th data-bbox="248 853 743 902">Answer</th> <th data-bbox="743 853 839 902">Mark</th> <th data-bbox="839 853 1390 902">Reason</th> </tr> </thead> <tbody> <tr> <td data-bbox="248 902 743 952">A shareholder is a stakeholder</td> <td data-bbox="743 902 839 952">1</td> <td data-bbox="839 902 1390 952">Partial definition</td> </tr> <tr> <td data-bbox="248 952 743 1032">A shareholder is an owner of a business</td> <td data-bbox="743 952 839 1032">0</td> <td data-bbox="839 952 1390 1032">Could be a sole trader</td> </tr> <tr> <td data-bbox="248 1032 743 1153">A shareholder is part-owner of a company</td> <td data-bbox="743 1032 839 1153">1</td> <td data-bbox="839 1032 1390 1153">Refers to part ownership and company so not a sole trader or partner but only partial</td> </tr> <tr> <td data-bbox="248 1153 743 1234">A shareholder invests money in a business and receives dividends</td> <td data-bbox="743 1153 839 1234">2</td> <td data-bbox="839 1153 1390 1234">Two correct elements</td> </tr> </tbody> </table>	Knowledge and Application	Marks	A correct definition	2	A partial, vague or unfocused definition	1	No creditable content	0	Answer	Mark	Reason	A shareholder is a stakeholder	1	Partial definition	A shareholder is an owner of a business	0	Could be a sole trader	A shareholder is part-owner of a company	1	Refers to part ownership and company so not a sole trader or partner but only partial	A shareholder invests money in a business and receives dividends	2	Two correct elements	2
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1(a)(ii)	<p data-bbox="240 248 895 282">Briefly explain the term ‘focus group’ (line 22).</p> <p data-bbox="240 315 847 349">Award one mark for each point of explanation:</p> <table border="1" data-bbox="248 383 1390 633"> <tbody> <tr> <td data-bbox="248 383 300 533">C</td> <td data-bbox="300 383 1246 533">Example of some other way of showing good understanding, i.e. Accuracy can be affected by bias, Opinions may not be representative of the general population/target market. Not statistically significant. Can aid decision making</td> <td data-bbox="1246 383 1390 533">1 mark</td> </tr> <tr> <td data-bbox="248 533 300 584">B</td> <td data-bbox="300 533 1246 584">Consumers/potential consumers/target market/customers</td> <td data-bbox="1246 533 1390 584">1 mark</td> </tr> <tr> <td data-bbox="248 584 300 633">A</td> <td data-bbox="300 584 1246 633">Primary/qualitative/opinions/feedback/led by interviewer</td> <td data-bbox="1246 584 1390 633">1 mark</td> </tr> </tbody> </table> <p data-bbox="240 667 1374 835">This is a method of primary research. Used by businesses to get a group of customers together for feedback on a product or service. Can be expensive. Gives more accurate and qualitative data. Allows dialogue during the research process. Accuracy can be affected by bias. Opinions may not be representative of the general population/target market. Not statistically significant. Interviewer is present to lead discussion.</p> <table border="1" data-bbox="248 869 1390 1290"> <thead> <tr> <th data-bbox="248 869 746 920">Answer</th> <th data-bbox="746 869 879 920">Mark</th> <th data-bbox="879 869 1390 920">Reason</th> </tr> </thead> <tbody> <tr> <td data-bbox="248 920 746 972">A group of people</td> <td data-bbox="746 920 879 972">0</td> <td data-bbox="879 920 1390 972">Too vague</td> </tr> <tr> <td data-bbox="248 972 746 1023">A group of customers</td> <td data-bbox="746 972 879 1023">1</td> <td data-bbox="879 972 1390 1023">B mark for customers</td> </tr> <tr> <td data-bbox="248 1023 746 1173">An interviewer carries out primary research on a group of customers</td> <td data-bbox="746 1023 879 1173">2</td> <td data-bbox="879 1023 1390 1173">2×A points with ‘interviewer’ and ‘primary research’ and a B mark for customers. No C element so 2 marks</td> </tr> <tr> <td data-bbox="248 1173 746 1290">Primary research on potential consumers to help make decisions about a product.</td> <td data-bbox="746 1173 879 1290">3</td> <td data-bbox="879 1173 1390 1290">All 3 – A, B and C elements</td> </tr> </tbody> </table>	C	Example of some other way of showing good understanding, i.e. Accuracy can be affected by bias, Opinions may not be representative of the general population/target market. Not statistically significant. Can aid decision making	1 mark	B	Consumers/potential consumers/target market/customers	1 mark	A	Primary/qualitative/opinions/feedback/led by interviewer	1 mark	Answer	Mark	Reason	A group of people	0	Too vague	A group of customers	1	B mark for customers	An interviewer carries out primary research on a group of customers	2	2× A points with ‘interviewer’ and ‘primary research’ and a B mark for customers. No C element so 2 marks	Primary research on potential consumers to help make decisions about a product.	3	All 3 – A, B and C elements	3
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1(c)	Analyse <u>two</u> human resource problems that DC might experience from the introduction of the new batch production method.				8
Level	Knowledge and Application (4 marks)	Marks	Analysis (4 marks)	Marks	
2 (APP's)	Shows understanding of two (or more) human resource problems in context	4 (ANAN + ANAN)	Good analysis of two (or more) human resource problems that DC might experience from the introduction of the new batch production method.	4	
	Shows understanding of one human resource problem in context	3 (ANAN)	Good analysis of one human resource problem that DC might experience from the introduction of the new batch production method.	3	
1 (K's)	Shows knowledge of two (or more) human resource problems	2 (AN + AN)	Limited analysis of two (or more) human resource problems	2	
	Shows knowledge of one human resource problem	1 (AN)	Limited analysis of one human resource problem	1	
0	No creditable content				
Contextual analysis likely to come from:					
<ul style="list-style-type: none"> • Lower morale/job satisfaction – workers are used to working on unique clothing and will have immense pride in their work. This may fall if working on a batch production line. • Deskilling – if machinery is being used, this may replace the skills of the employees used to make unique clothing • Training needs – the new machinery will involve training, how will Khaleal manage this? • Fear of change/communication issues – employees are likely to be very wary of the new machinery/batch production. Khaleal needs to have a clear communication and employee participation strategy. <p>ARA</p>					

Question	Answer				Marks	
1(d)	Discuss a suitable pricing strategy that DC could use for the new range of trousers.				11	
Knowledge and Application (4 marks)		Marks	Analysis and Evaluation (7 marks)			Marks
			Justified evaluation based on arguments in context			7
			Developed evaluation based on arguments in context			6
			An evaluative statement based on arguments in context			5
Shows understanding of one or more pricing strategy in context		4	Arguments (two sided) based on one or more pricing strategy in context			4
Identifies one or more pricing strategy in context		3	Argument (one sided) based on one pricing strategy in context			3
Shows understanding of one or more pricing strategy		2	Two or more pieces of limited analysis of one or more pricing strategy			2
Identifies one or more pricing strategy		1	One piece of limited analysis of one pricing strategy			1
No creditable content						
<i>Context must be explicit not just implied but the strategy, i.e. penetration for a new product is not context, but penetration because DC have a new range of trousers is contextual</i>						
Context/content:						
<ul style="list-style-type: none"> • Competitive – the trousers are being sold to department stores. They are likely to have other competitors and so they will need to be competitive to persuade the department stores to stock the trousers. This may be feasible as the department stores will know the prices they are prepared to pay. • Penetration – DC are moving into a new market. They may look to offer high discounts on initial orders, build their relationship with the department stores and then increase prices. Can DC afford this? How will competitors react? • Skimming – unlikely to be effective as these are batch produced products – they may have a reputation for quality but batch production will mean the uniqueness of each piece of clothing will be lost so unlikely to be able to charge higher prices especially to a department store. • Price discrimination – unlikely to be effective as difficult for DC to separate the market for trousers particularly by geography. They are selling direct to the department stores who will then decide which stores to sell them in. DC does not have control of this. They are also trying to break into a new market so unlikely this will work. 						

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	<p>Evaluation is likely to come from a candidate:</p> <p>Judging which pricing strategy is best for DC to use and justifying this in the context</p> <p>Weighting their response, for example, justifying why a strategy is unlikely to be effective</p>																					
2(a)(i)	<p>Define the term ‘demand’ (line 26).</p> <table border="1" data-bbox="245 546 1390 748"> <thead> <tr> <th data-bbox="245 546 1134 595">Knowledge and Application</th> <th data-bbox="1134 546 1390 595">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="245 595 1134 647">A correct definition</td> <td data-bbox="1134 595 1390 647">2</td> </tr> <tr> <td data-bbox="245 647 1134 698">A partial, vague or unfocused definition</td> <td data-bbox="1134 647 1390 698">1</td> </tr> <tr> <td data-bbox="245 698 1134 748">No creditable content</td> <td data-bbox="1134 698 1390 748">0</td> </tr> </tbody> </table> <p>A sound definition is ‘Demand is the quantity/amount that consumers are willing/able (not needs and wants) to buy at a given price (or in a particular time period)’.</p> <p>Demand is the ability and willingness of a consumer to pay for a given good or service at a given price. Demand falls as price rises/vice versa.</p> <p>Example(s) or reference to demand falling or rising is not needed for maximum marks.</p> <p>A diagram without further explanation should be awarded one mark.</p> <table border="1" data-bbox="245 1120 1390 1420"> <thead> <tr> <th data-bbox="245 1120 804 1169">Answer</th> <th data-bbox="804 1120 916 1169">Mark</th> <th data-bbox="916 1120 1390 1169">Reason</th> </tr> </thead> <tbody> <tr> <td data-bbox="245 1169 804 1285">The amount of a good consumers are willing to buy</td> <td data-bbox="804 1169 916 1285">1</td> <td data-bbox="916 1169 1390 1285">Only 2 elements of the definition – for full marks would need 3 elements</td> </tr> <tr> <td data-bbox="245 1285 804 1337">What consumers are willing to buy</td> <td data-bbox="804 1285 916 1337">1</td> <td data-bbox="916 1285 1390 1337">Only 1 element of the definition</td> </tr> <tr> <td data-bbox="245 1337 804 1420">The amount of a good consumers are willing to buy at a price</td> <td data-bbox="804 1337 916 1420">2</td> <td data-bbox="916 1337 1390 1420">3 elements</td> </tr> </tbody> </table>	Knowledge and Application	Marks	A correct definition	2	A partial, vague or unfocused definition	1	No creditable content	0	Answer	Mark	Reason	The amount of a good consumers are willing to buy	1	Only 2 elements of the definition – for full marks would need 3 elements	What consumers are willing to buy	1	Only 1 element of the definition	The amount of a good consumers are willing to buy at a price	2	3 elements	2
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2(b)(i)	<p data-bbox="244 248 954 282">Refer to Table 3. Calculate the gross profit margin.</p> <table border="1" data-bbox="244 315 1390 562"> <thead> <tr> <th data-bbox="244 315 435 360">Mark</th> <th data-bbox="435 315 1390 360">Rationale</th> </tr> </thead> <tbody> <tr> <td data-bbox="244 360 435 405">3 marks</td> <td data-bbox="435 360 1390 405">Correct calculation of gross profit margin (with or without working or %)</td> </tr> <tr> <td data-bbox="244 405 435 450">2 marks</td> <td data-bbox="435 405 1390 450">Correct formula and correct calculation of gross profit</td> </tr> <tr> <td data-bbox="244 450 435 495">1 mark</td> <td data-bbox="435 450 1390 495">Correct formula or correct calculation of gross profit</td> </tr> <tr> <td data-bbox="244 495 435 562">0 marks</td> <td data-bbox="435 495 1390 562">No creditable content</td> </tr> </tbody> </table> <p data-bbox="244 566 930 600"><i>Formula can be implied through the correct use of figures.</i></p> <p data-bbox="244 629 427 689">GP revenue * 100</p> <p data-bbox="244 723 504 757">GP = 120 – 90 = 30</p> <p data-bbox="244 790 596 824">GPM = 30/120 *100 = 25%</p> <p data-bbox="244 857 603 891">Common incorrect answers</p> <table border="1" data-bbox="244 898 1390 1458"> <thead> <tr> <th data-bbox="244 898 719 943">Answer</th> <th data-bbox="719 898 815 943">Mark</th> <th data-bbox="815 898 1390 943">Rationale</th> </tr> </thead> <tbody> <tr> <td data-bbox="244 943 719 987">120 – 90 = 30</td> <td data-bbox="719 943 815 987">1</td> <td data-bbox="815 943 1390 987">Correct calculation of gross profit</td> </tr> <tr> <td data-bbox="244 987 719 1077">[90 – (20+10)/120] × 100 = 60/120 × 100 = 50%</td> <td data-bbox="719 987 815 1077">1</td> <td data-bbox="815 987 1390 1077">Gross profit incorrectly calculated but formula correct</td> </tr> <tr> <td data-bbox="244 1077 719 1167"><u>(Gross profit/revenue) × 100.</u> <u>Gross profit = 30</u></td> <td data-bbox="719 1077 815 1167">2</td> <td data-bbox="815 1077 1390 1167">Correct formula and correct calculation of gross profit</td> </tr> <tr> <td data-bbox="244 1167 719 1279">GP = 10 000 – 20 000 – 90 000 = – 100 × 100 000/120 000 = 83.33%</td> <td data-bbox="719 1167 815 1279">1</td> <td data-bbox="815 1167 1390 1279">Gross profit incorrectly calculated but formula correct</td> </tr> <tr> <td data-bbox="244 1279 719 1368">120 000 – 90 000/120 000 = 0.25</td> <td data-bbox="719 1279 815 1368">2</td> <td data-bbox="815 1279 1390 1368">Gross profit and method correct but ×100 missing from formula</td> </tr> <tr> <td data-bbox="244 1368 719 1458">(30 000/120 000) × 100 = \$25 000</td> <td data-bbox="719 1368 815 1458">2</td> <td data-bbox="815 1368 1390 1458">Correct formula and correct calculation of gross profit</td> </tr> </tbody> </table>	Mark	Rationale	3 marks	Correct calculation of gross profit margin (with or without working or %)	2 marks	Correct formula and correct calculation of gross profit	1 mark	Correct formula or correct calculation of gross profit	0 marks	No creditable content	Answer	Mark	Rationale	120 – 90 = 30	1	Correct calculation of gross profit	[90 – (20+10)/120] × 100 = 60/120 × 100 = 50%	1	Gross profit incorrectly calculated but formula correct	<u>(Gross profit/revenue) × 100.</u> <u>Gross profit = 30</u>	2	Correct formula and correct calculation of gross profit	GP = 10 000 – 20 000 – 90 000 = – 100 × 100 000/120 000 = 83.33%	1	Gross profit incorrectly calculated but formula correct	120 000 – 90 000/120 000 = 0.25	2	Gross profit and method correct but ×100 missing from formula	(30 000/120 000) × 100 = \$25 000	2	Correct formula and correct calculation of gross profit	3
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2(b)(ii)	<p data-bbox="240 241 1038 280">Explain <u>one</u> way that BG could improve its profit margin.</p> <table border="1" data-bbox="240 311 1393 566"> <thead> <tr> <th data-bbox="240 311 392 365">Level</th> <th data-bbox="392 311 1137 365">Knowledge and Application</th> <th data-bbox="1137 311 1393 365">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="240 365 392 418">2 (APP)</td> <td data-bbox="392 365 1137 418">Explanation of a way to improve the profit margin</td> <td data-bbox="1137 365 1393 418">3</td> </tr> <tr> <td data-bbox="240 418 392 472">1b (KK)</td> <td data-bbox="392 418 1137 472">Identification of a way to improve the profit margin</td> <td data-bbox="1137 418 1393 472">2</td> </tr> <tr> <td data-bbox="240 472 392 526">1a (K)</td> <td data-bbox="392 472 1137 526">Identification of a way to improve profit</td> <td data-bbox="1137 472 1393 526">1</td> </tr> <tr> <td data-bbox="240 526 392 566">0</td> <td data-bbox="392 526 1137 566">No creditable content</td> <td data-bbox="1137 526 1393 566">0</td> </tr> </tbody> </table> <p data-bbox="240 598 991 636">Context (profit margin) and content is likely to come from:</p> <ul data-bbox="300 667 925 736" style="list-style-type: none"> <li data-bbox="300 667 925 701">• Increase price but maintain costs/expenses <li data-bbox="300 701 925 736">• Decrease costs and maintain price <table border="1" data-bbox="240 768 1393 1106"> <thead> <tr> <th data-bbox="240 768 598 822">Identification</th> <th data-bbox="598 768 952 822">Explanation</th> <th data-bbox="952 768 1393 822">Possible context</th> </tr> </thead> <tbody> <tr> <td data-bbox="240 822 598 938">Decrease costs and increase price (APP)</td> <td data-bbox="598 822 952 938">Both costs and price referred to</td> <td data-bbox="952 822 1393 938">This is clearly linked to the context of a profit MARGIN so 3 marks</td> </tr> <tr> <td data-bbox="240 938 598 1021">Increase price (KK)</td> <td data-bbox="598 938 952 1021">Only price, nothing about costs</td> <td data-bbox="952 938 1393 1021">Related to profit margin but only identifies price so 2 marks.</td> </tr> <tr> <td data-bbox="240 1021 598 1106">Increase revenue (K)</td> <td data-bbox="598 1021 952 1106">This relates to profit only.</td> <td data-bbox="952 1021 1393 1106">1 mark as not related to profit margin</td> </tr> </tbody> </table>	Level	Knowledge and Application	Marks	2 (APP)	Explanation of a way to improve the profit margin	3	1b (KK)	Identification of a way to improve the profit margin	2	1a (K)	Identification of a way to improve profit	1	0	No creditable content	0	Identification	Explanation	Possible context	Decrease costs and increase price (APP)	Both costs and price referred to	This is clearly linked to the context of a profit MARGIN so 3 marks	Increase price (KK)	Only price, nothing about costs	Related to profit margin but only identifies price so 2 marks.	Increase revenue (K)	This relates to profit only.	1 mark as not related to profit margin	3
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Question	Answer				Marks
2(c)	Analyse <u>two</u> possible sources of finance that BG could use for the new lawnmower.				8
Level	Knowledge and Application (4 marks)	Marks	Analysis (4 marks)	Marks	
2	Shows understanding of two (or more) sources of finance in context	4	Good analysis of two (or more) sources of finance that BG could use for the new lawnmower.	4	
	Shows understanding of one source of finance in context	3	Good analysis of one source of finance that BG could use for the new lawnmower.	3	
1	Shows knowledge of two (or more) sources of finance	2	Limited analysis of two (or more) sources of finance	2	
	Shows knowledge of one source of finance	1	Limited analysis of one source of finance	1	
0	No creditable content				
Any source of finance could be relevant – analysis will depend on context used:					
Contextual analysis likely to come from:					
<ul style="list-style-type: none"> • Cash flow, Barry is worried about working capital so how would BG be able to make the repayments? • Time span, how long would BG borrow for, interest rates tend to be higher over longer period of time. BG is a partnership, this could be risk if paid over longer term. Does Barry prefer short or medium or longer term? • Amount being borrowed. Would BG need to borrow all of the \$10 000. Could Barry or Michael invest additional funds themselves to limit the borrowing? • Interest rates, BG is a partnership so could be seen as risky to lend to. But healthy profits and margins so could persuade a lender that the risk is smaller. • Future demand – Expected to increase as BG gain customers from competitors (LawnsRus) but what if the economy slows down – demand could fall in coming years especially from the revenue generated from basic services? 					

Question	Answer				Marks	
2(d)	Discuss the advantages and disadvantages to Barry and Michael of the business being a partnership.				11	
Knowledge and Application (4 marks)		Marks	Analysis and Evaluation (7 marks)			Marks
			Justified evaluation based on arguments in context			7
			Developed evaluation based on arguments in context			6
			An evaluative statement based on arguments in context			5
Shows understanding of two or more features of a partnership in context		4	Argument of advantage(s) and disadvantage(s) of partnerships in context			4
Shows understanding of one feature of a partnership in context		3	Argument of an advantage(s) or disadvantage(s) of partnerships in context			3
Identifies two or more features of a partnership		2	Limited analysis of an advantage(s) and disadvantage(s) of partnerships			2
Identifies one feature of a partnership		1	Limited analysis of an advantage(s) or disadvantage(s) of partnerships			1
No creditable content						
<i>Please annotate analysis of advantages in the left hand margin and disadvantages in the right hand margin. Evaluation can only be awarded if there is at least one double AN in the left and one double AN right hand margins.</i>						
Context/content:						
<p>Advantages:</p> <ul style="list-style-type: none"> • Partners can specialise, this has worked for BG with division of tasks (Barry – finance and marketing, Michael – technical and employees). This will help BG be successful e.g., strong profits and margins • Partners run the business for themselves, not accountable to shareholders and so Michael and Barry gain the rewards from the business/retain control • BG will be a smaller business and so Michael and Barry are likely to offer personal service and good communication to customers, Michael in marketing and Barry in agreeing prices and contracts. This will help BG gain a reputation and be more successful. 						

Question	Answer	Marks
	<p>Disadvantages:</p> <ul style="list-style-type: none">• Unlimited liability so a risk to Michael and Barry. They could lose their possessions as well as their investment should the business fail.• Long hours of work/responsibility• Conflict – Michael and Barry may fall out over decisions and this could lead to conflict and dissolution of the partnership e.g., over the finance needed for the lawnmower• Partnership ceases if one partner dies. <p>Evaluation is likely to come from a candidate:</p> <ol style="list-style-type: none">1. Judging whether the advantages outweigh the disadvantages2. Weighting their response, for example, ‘this is the main advantage because’ is likely to lead an evaluative response. <p>Candidates must cover both advantages and disadvantages to gain higher than 3+3 marks</p>	