BUSINESS AND MANAGEMENT **9771/01**

Paper 1 Business Concepts **May/June 2018**

MARK SCHEME

Maximum Mark: 100

Published

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

Cambridge International will not enter into discussions about these mark schemes.

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This document consists of **11** printed pages.

Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Section 1

Question	Answer	Marks
1	A	**1**
2	C	**1**
3	B	**1**
4	C	**1**
5	C	**1**
6	C	**1**
7	A	**1**
8	A	**1**
9	B	**1**
10	C	**1**
11	D	**1**
12	C	**1**
13	D	**1**
14	B	**1**
15	D	**1**
16	A	**1**
17	A	**1**
18	D	**1**
19	B	**1**
20	C	**1**

Section A

Question	Answer	Marks
21(a)(i)	**Using data in Table 1:** **Calculate the break-even number of customers** BE = Fixed costs/contribution per unit [if result incorrect] £104 000/£2 = 52 000 customers	**2**
21(a)(ii)	**Calculate the annual profit if there are 100 000 customers in the first year of trading.** Revenue = 100 000 × £12 = £1.2m OR total cost = ([£10 × 100 000] + £104 000) [If result incorrect] Profit = £96 000	**2**
21(b)	**Evaluate the usefulness of your results to (a) and other information provided when deciding whether to open more BFS City shops.** Useful: BE can be compared with forecast demand and the likelihood of breaking even assessed Profit from 100 000 customers could be used to assess the likely profitability of this investment. Limitations: Assumptions may not be accurate e.g. average spend as BFS has no recent experience of city centre convenience shops. Overall: Other appraisal needed before the returns from this new shop can be assessed e.g. investment appraisal techniques. Market research data (and sources used) also essential	**6**

	An 3 marks	E 3 marks
Level 2	3 marks Relevant reasoning or theory used to explain answer	3 marks Good judgement shown plus overall conclusion/judgement
Level 1	2–1 marks Limited reasoning shown	2–1 marks Limited evaluation or judgement

Question	Answer	Marks
22	**Evaluate the importance of effective budgeting to the future success of BFS.**	10

Setting financial plans and assessing actual performance against them.
Gives focus to shops/departments
Allocates resources e.g. between different shops
Important for new ventures to have plans to work with e.g. the City shop
BUT: No involvement or participation of managers so less accurate and less motivational e.g. no allowance made for unemployment in one town.
Delegated budgeting can lead to more effective results.
Other factors will also influence success e.g. ability to maintain profit margins and the success of the City shops. But budgeting could be made more effective which would increase chances of success.

	K 2 marks	App 2 marks	An 3 marks	E 3 marks
Level 2	2 marks Good knowledge shown	2 marks Points made well applied to case	3 marks Relevant reasoning or theory used to explain answer	3 marks Good judgement shown plus overall conclusion/ judgement
Level 1	1 mark Some knowledge shown	1 mark Some application of points to case	2–1 marks Limited reasoning shown	2–1 marks Limited evaluation or judgement
Level 0	0 marks No rewardable content			

Question	Answer	Marks
23	**Recommend a suitable marketing mix for the new BFS City convenience shops. Justify your recommendation.**	**10**
	Combination of marketing decisions that should be integrated and consistent.	
	Price – penetration as need to get new shops established and students have low incomes	
	Product – convenience not luxury food products. Limited range to cut inventory costs	
	Promotion – local promotions only; use of social media likely to be used by students	
	Place – location and selling methods already established	
	Overall: will this mix detract from the existing image of BFS? Need to establish what the target market is, how it differs from existing market for BFS shops; market research on local demand/tastes essential; most important element of the mix.	

	K 2 marks	App 2 marks	An 3 marks	E 3 marks
Level 2	2 marks Good knowledge shown	2 marks Points made well applied to case	3 marks Relevant reasoning or theory used to explain answer	3 marks Good judgement shown plus overall conclusion/ judgement
Level 1	1 mark Some knowledge shown	1 mark Some application of points to case	2–1 marks Limited reasoning shown	2–1 marks Limited evaluation or judgement
Level 0	0 marks No rewardable content			

Question	Answer	Marks
24	**Assess the potential benefits to BFS from its food waste production programme.** 7% adds to variable costs substantially so BFS could become more competitive and improve margins if waste reduction is successful. May become an important aspect of CSR and lead to positive consumer response – leading to higher sales Giving away food will be well received by 'ethical consumers and media' but will it increase profitability? It does not actually reduce costs Cutting inventories/order sizes may lead to 'inventory out costs' and lower bulk discounts Better packaging and GM products will not be well received by ethical consumers/media Overall conclusion needed.	10

	K 2 marks	App 2 marks	An 3 marks	E 3 marks
Level 2	2 marks Good knowledge shown	2 marks Points made well applied to case	3 marks Relevant reasoning or theory used to explain answer	3 marks Good judgement shown plus overall conclusion/ judgement
Level 1	1 mark Some knowledge shown	1 mark Some application of points to case	2–1 marks Limited reasoning shown	2–1 marks Limited evaluation or judgement
Level 0	0 marks No rewardable content			

Question	Answer	Marks
25	**'Because of the increased use of social media on smartphones and social media's involvement in retail sales, 'social selling' has become red hot. Anyone hoping to improve their online sales success must take advantage of emerging trends.'** **Eddie Machaalani, co-CEO, Bigcommerce** **Discuss the likely significance of emerging trends in e-commerce to business success.** • Explanation of e-commerce and relevant examples are likely to be given. • e-commerce widens potential market – especially if foreign language websites are used too • Explanation of impact of social media and smart phone purchasing – some types of products/businesses likely to gain more than others. Apply to different businesses. • Risks involved in e-commerce e.g. not updating website or negative social media feedback • Do all businesses need an 'online presence'? Apply to different businesses. • Business success will also depend on quality/design of products and customer service e.g. delivery times. • Overall conclusion needed supported by preceding analysis and business examples.	20

	K 6 marks AO1	App 8 marks AO2	An 13 marks AO3	E 13 marks AO4
Level 3		8–7 marks Excellent application of most points to selected businesses	13–9 marks Extensive reasoning and use of theory to explain arguments	13–9 marks Extensive judgement in answer and conclusion
Level 2	6–4 marks Good knowledge shown	6–4 marks Points well applied to selected businesses	8–5 marks Good reasoning/use of theory to explain answer	8–5 marks Good judgement shown in answer **and** conclusion **or** excellent judgement in answer **or** conclusion
Level 1	3–1 marks Some knowledge shown	3–1 marks Some application of points	3–1 marks Some reasoning /use of theory to explain answer.	3–1 marks Some judgement shown in answer or conclusion
Level 0	0 marks No rewardable content			

Question	Answer	Marks
26	**From April 2016 the UK National Living Wage (NLW) was introduced at £7.20 per hour for workers aged 25 and over. It is due to rise to over £9 per hour in 2020.** **Evaluate the likely impact of the NLW on UK businesses.** • Legal changes e.g. over employment rules, can have constraints on business activities – but might also offer opportunities. • 25% increase over 4 years – if other wages/salaries increase at similar rate to maintain differentials then business costs will rise substantially making UK firms less competitive. • Some businesses with very low profit margins [or making losses] may be forced out of business or reduce workforce – increasing unemployment. • BUT it might improve motivation of low paid and encourage businesses to seek ways of increasing labour productivity to pay for the increase in NLW. • How likely is is that differentials will be maintained? • Some businesses employ mainly higher paid employees so there might be little impact. Replacing some employees with machines will help reduce labour costs. • Impact will depend on proportion of total costs accounted for by labour costs. Scope for many relevant examples of different businesses.	20

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Level 1	3–1 marks Some knowledge shown	3–1 marks Some application of points	3–1 marks Some reasoning /use of theory to explain answer.	3–1 marks Some judgement shown in answer or conclusion
Level 0	0 marks No rewardable content			

Question	Answer	Marks
27	**'Hire people who are better than you and then leave them to get on with it'.** **David Ogilvy, Founder of Ogilvy and Mather, Marketing and PR company** **Discuss whether this approach to leadership would be effective in all organisations.** • Laissez faire – might be effective in marketing and communications business where creativity and initiative are essential – the other forms of leadership would be counter-productive. • In which types of businesses or which business situations could this approach to leadership be effective? When would it be ineffective? • Adapting leadership style to different situations? • Relative merits of other styles of leadership – and their appropriateness to different businesses and different situations.	**20**

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Question	Answer	Marks
28	**Evaluate the importance of location decisions to the profitability of service sector businesses.**	**20**

Site costs are often very significant fixed costs of service sector businesses e.g. large insurance offices or Bond Street locations for retailers.

High fixed costs reduce potential profitability and increase BE point.

- Other costs might be affected by locations too e.g. labour rates per hour or transport costs of supply deliveries.
- Online selling businesses tend to be 'footloose' and can have cost advantages over those businesses that need a high street or city centre presence.
- Profitability will be affected by other factors too e.g. the level of competition in retailing
- Expensive locations can also have a positive impact on profitability e.g. prestigious addresses such as Harley Street or city centre locations that have high consumer count
- Low cost outsourcing for some service operations e.g. accounting function/customer service call centres – the advantages and limitations this type of decision

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