Cambridge International AS & A Level

Cambridge Assessment International Education
Cambridge International Advanced Subsidiary and Advanced Level

BUSINESS **9609/21**

Paper 2 Data Response **May/June 2018**

MARK SCHEME

Maximum Mark: 60

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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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.

Question	Answer	Marks
1(a)(i)	**Define the term 'cash flow' (line 10).**	**2**

Knowledge	Marks
A correct definition	2
A partial, vague or unfocused definition	1
No creditable content	0

Content
The transfer/movement of money **in** and **out** of the business

Exemplar	Rationale	Mark
The transfer/movement of money **in** and **out** of the business	All areas covered	2
The transfer/receiving of money **in** of the business	Only one direction covered – defining cash **inflow**	1
The transfer/spending of money within/out of a business	Only one direction covered – defining cash **outflow**	1
The movement of money/cash within a business	No reference to direction (in and out)	1
The money made from selling goods	No creditable content	0

Question	Answer	Marks
1(a)(ii)	**Briefly explain the term 'product portfolio' (line 2).**	**3**

Award one mark for each point of explanation:

	Knowledge	Marks
C	Example or some other way of showing good understanding	1
B	Sold by a business	1
A	Range/catalogue of products/services	1

Content
A product portfolio is the range of goods and services offered by a business.
The portfolio of products that business sells can be analysed using the product life cycle.

Exemplar	Rationale	Marks
The **range** of goods and services sold by a **business** which can be used to **analyse the best-selling products**	All three elements met	3
The variety of products the company has to offer for the people	No C mark	2
The amount of different products a business sells	Amount is an oblique reference to range	2
What the company uses to keep track of all of its products	Bod, inferring 'sold' by a business	1
The data of a product including price, opinion, etc.	No creditable content	0

Question	Answer	Marks
1(b)(i)	**Using Table 1 and any other relevant data, calculate the price elasticity of demand for bottled water when the price was reduced.**	4

Rationale	Marks
Correct answer with or without correct working (minus sign not required)	4
Correct calculation of % change in QD **AND** % change in P	3
Formula AND calculation of both actual changes **OR** correct calculation of % change in QD **OR** % change in P	2
Formulae OR correct calculation of both actual changes	1
No creditable content	0

Content

Formula: $\dfrac{\%\text{ change in QD}}{\%\text{ change in P}}$

QD = $\dfrac{40\,000-20\,000}{20\,000}=\dfrac{20\,000}{20\,000}\times 100$ = 100%

P = $\dfrac{\$0.63-20\,000}{\$0.90}=\dfrac{\$0.27}{\$0.90}\times 100$ = –30%

$\dfrac{100\%}{-30\%}$ = –3.33

Answer = –3.33

Common incorrect answers

Answer	Rationale	Marks
(–)3.33	Correct final answer, no working needed	4
3	Correct answer, ignore minus, no recurring needed	4
100 and 30 and wrong final answer (0.3)	% change P over % change QD (wrong way round)	3
Formula and 0.27 and 20 000	Formula and correct calculation of both actual figures	2
0.27 and 20 000	Correct calculation of both actual figures	1
0.9 – 0.63 = 0.27	Calculation of only 1 actual figure	0

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)(ii)</td><td>

Explain how your answer to 1(b)(i) could be used by CS.

Level	Knowledge and Application	Marks
2 (APP)	Explanation of a use of the answer to **1(b)(i)** in context	2
1 (K)	Identification of a use of PED	1
0	No creditable content	0

*Note: Correct use of an incorrect answer to **1(b)(i)** should be fully rewarded (own figure rule – OFR)*

Content
- PED is elastic so VC should gain more revenue from the sales discount
- VC should use more sales discount promotions because it shows an elastic response

ARA and OFR

Answer	How it might be used
0 to (–)1 – Inelastic	The sales discount brought in less revenue but increased sales
(–)1 – Unit elasticity	The sales discount has not changed revenue but increased sales
(–)1 plus (elastic)	The sakes discount brought in more revenue and increased sales

</td><td>2</td></tr>
</table>

Question	Answer	Marks
1(c)	**Using Table 2 and any other data, recommend which supermarket CS should close. Justify your recommendation.**	**11**

Knowledge and Application (4 marks)	Marks	Analysis and Evaluation (7 marks)	Marks
		A justified recommendation based on a **developed** argument on the closure of **both** supermarkets	7
		A developed recommendation based on a **developed** argument on the closure of **both** supermarkets	6
Shows understanding of the factors affecting closure of supermarket A **and** supermarket B	4	A basic recommendation/ judgement based on a **developed** argument on the closure of **both** supermarkets	5
Shows understanding of the factors affecting closure of supermarket A **or** supermarket B	3	Developed argument based on the closure of supermarket A **and** supermarket B	4
Shows knowledge of two or more reasons for business closure	2	Developed argument based on the closure of supermarket A **or** supermarket B	3
Shows knowledge of one reason for business closure	1	Limited analysis of supermarket A **and** supermarket B	2
		Limited analysis of supermarket A **or** supermarket B	1
No creditable content			0

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(c)</td><td>

Content:

Supermarket A

<table>
<tr><th>Pro</th><th>Con</th></tr>
<tr><td>Higher Revenue
Higher Population – bigger customer base
Higher unemployment – lower employment odds?
Trend is that profit is increasing – will this continue?
Has it been given enough time to establish?</td><td>Higher rent
Higher unemployment – lower level of average income?
Making a loss
Less established so easier to close?</td></tr>
</table>

Supermarket B

<table>
<tr><th>Pro</th><th>Con</th></tr>
<tr><td>Lower rent
Lower unemployment – higher level of average income?
Making a profit
More established – brand recognition in the area</td><td>Lower revenue
Lower population – smaller customer base
Lower unemployment – higher level of average income?
Trend is that profit is decreasing – will this continue?
Been open longer – is it possible to ‘turn it around’.</td></tr>
</table>

An example of how an answer could develop and how it should be annotated.

<table>
<tr><th>K</th><th>APP</th><th>AN</th><th>ANAN</th><th>EVAL</th></tr>
<tr><td rowspan="2">Low rent is an important indicator (K)</td><td>Supermarket A’s rent is $150 000 higher than Supermarket B (APP)</td><td>This could lead to worse cash flow in Supermarket A (AN – LHS)</td><td>However the larger local population means there might be more long term potential to increase revenue and balance out cash flow in the future (DEV – LHS)</td><td rowspan="2">CS should choose SM A (Basic recommendation)

because it has more potential to increase revenue in the longer term (Developed recommendation)

however it depends on whether SM B’s profit continue to fall (Justified recommendation)</td></tr>
<tr><td>Supermarket A’s rent of $400 000 is $150 000 higher than Supermarket B’s rent of $250 000 (APP APP)</td><td>The lower local population means that there is less chance of increasing revenue (AN – RHS)</td><td>Which means that it is never likely to be as profitable as Supermarket A (DEV – RHS)</td></tr>
</table>

</td><td>11</td></tr>
</table>

Question	Answer	Marks
1(d)	**Analyse how the closure of the supermarket that you have recommended in your answer to 1(c) could affect two stakeholders of SC.**	8

Level	Knowledge and Application (4 marks)	Marks	Analysis (4 marks)	Marks
2b	Shows understanding of the effect of the closure on **two** stakeholders of CS	4	Developed analysis of the closure of the supermarket on **two** stakeholders of CS	4
2a	Shows understanding of the effect of the closure on **one** stakeholder of CS	3	Developed analysis of the effect of the closure of the supermarket on **one** stakeholder of CS	3
1b	Shows knowledge of and gives one or more stakeholder examples OR two examples of stakeholders	2	Limited analysis of the effect of closure on **two** stakeholders	2
1a	Shows knowledge of stakeholders (definition) OR one example of a stakeholder	1	Limited analysis of the effect of closure on **one** stakeholder	1
0	No creditable content			0

Content

Customers – May have to go to another supermarket, or travel further to use CS
Employees – those made redundant in the closed supermarket may be unemployed and have lower incomes, or may be transferred to another supermarket. Those who are not made redundant (in other supermarket) may be more motivated (if they feel lucky to be still working) less motivated (if they worry they are next).
Owners – may have less profit as there are high redundancy costs. May eventually have higher profits as the business is more efficient.
Managers – may lose their job or be transferred to another supermarket **Banks/lenders** – may worry about the future of CS and not lend for any future ventures
Local community – increased unemployment in area of closed supermarket, lower average income, less choice of supermarket
Government – increased unemployment, lower income tax revenue.

ARA

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(d)</td><td>
<table>
<tr><th>Examples of stakeholders</th><th>Examples of application/ context</th><th>Examples of possible analysis</th></tr>
<tr><td>Customers</td><td>Local customers will have to travel further to get to a supermarket</td><td>May choose an alternative supermarket → which leads to increased travel time</td></tr>
<tr><td>Employees</td><td>Because of high unemployment in the area</td><td>May struggle to find another job →
Lead to a lower quality of life → affect the ability to look after their family/pay rent → lead to less emphasis on children's education</td></tr>
<tr><td>Local government/ council</td><td>Supermarkets employ a lot of staff</td><td>Less tax paid → lowers the overall amount available for community projects → increases taxes or reduction in services → affects the community negatively</td></tr>
<tr><td>Suppliers</td><td>Of bottled water</td><td>Reduction in demand → increase in wastage → reduction in employees needed → increased unemployment in the local area</td></tr>
</table>
Stating 'employees of supermarket A' is not enough for app – has to be linked to e.g. high levels of unemployment, etc.
</td><td>8</td></tr>
</table>

Question	Answer	Marks
2(a)(i)	**Define the term 'retained earnings' (line 15).**	2

Knowledge	Marks
A correct definition	2
A partial, vague or unfocused definition	1
No creditable content	0

Content
A correct definition will include:
- An idea that money has been kept by a business
- An idea that it is profit

Exemplar	Rationale	Marks
The money remaining in the business after it subtracts its expenses	Both elements	2
The money kept by a business	No idea of profit/earnings element	1
Earnings set aside for a later day	Idea of keeping within the business (earnings taut)	1
The profit made by the business	An idea of profit	1
The money that the business owner saved	To vague	0

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)(ii)</td><td>

Briefly explain the term 'public limited company' (line 1)

Award one mark for each point of explanation:

<table>
<tr><th></th><th>Knowledge</th><th>Marks</th></tr>
<tr><td>C</td><td>Example or some other way of showing good understanding e.g. Published accounts, LL, etc.</td><td>1</td></tr>
<tr><td>B</td><td>To the general public/through stock exchange/</td><td>1</td></tr>
<tr><td>A</td><td>Has shareholders/can sell shares</td><td>1</td></tr>
</table>

Content
A public limited company has shareholders who can purchase shares through the stock exchange. It also has limited liability, continuity and a separate legal identify.

<table>
<tr><th>Exemplar</th><th>Rationale</th><th>Marks</th></tr>
<tr><td>Owned by shareholders with limited liability and bought through the stock exchange</td><td>All points met</td><td>3</td></tr>
<tr><td>A PLC is a large company that sells shares to the public.</td><td>A and B</td><td>2</td></tr>
<tr><td>Has shareholders and has limited liability</td><td>A and C</td><td>2</td></tr>
<tr><td>Is owned by the government, has shareholders and had limited liability</td><td>A and C, ignore the incorrect govt. reference</td><td>2</td></tr>
<tr><td>Has shareholders</td><td>A only</td><td>1</td></tr>
<tr><td>Owned by the government</td><td>Wrong</td><td>0</td></tr>
<tr><td>Is a large company</td><td>Too vague</td><td>0</td></tr>
</table>

</td><td>3</td></tr>
</table>

Question	Answer	Marks
2(b)(i)	**Calculate VC's working capital.**	2

Rationale	Marks
Correct answer with or without working	2
Correct use of figures/formula	1
No creditable content	0

Content
Current assets – current liabilities

\$5m – \$4m = \$1m

Common answers

Answer	Rationale	Marks
\$1m (with or without \$)	Correct answer	2
\$5m – \$4m = \$1m	Correct answer	2
5 – 4 = 1	No need for \$ or M	2
\$5m – \$4m = \$6m	Correct use but wrong answer	1
Current assets – current liabilities	Correct formula	1
\$5m + \$4m = \$6M	Incorrect use of figures	0
4/5 × 100 = 0.1	Incorrect formula	0
\$4m – \$5M = –\$1M	Incorrect formula	0

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)(ii)</td><td>
Explain two ways in which VC could improve its working capital.
<table>
<tr><th>Level</th><th>Knowledge and Application</th><th>Marks</th></tr>
<tr><td>2b (APP + APP)</td><td>Explanation of two ways to improve working capital in context</td><td>4</td></tr>
<tr><td>2a (APP)</td><td>Explanation of one way to improve working capital in context</td><td>3</td></tr>
<tr><td>1b (KK)</td><td>Identification of two ways to improve working capital</td><td>1</td></tr>
<tr><td>1a (K)</td><td>Identification of one way to improve working capital</td><td>1</td></tr>
<tr><td>0</td><td>No creditable content</td><td>0</td></tr>
</table>
Content
Has to refer specifically to a current asset or a current liability (less than 12 months)
Increase current assets:

Increase cash/money – retain more profit, sell fixed assets, sell shares, negotiate discounts, find cheaper suppliers etc.
Increase debtors – only if they are new sales that would not have been cash sales
Increase inventory – again only if this does not have a detrimental effect on cash at the same time

Decrease current liabilities:

Replace short term debt (overdraft and creditors for example) with long term debt – will not improve WC if it is paying debt off with cash

Possible context (APP)

Reduction of Current liabilities from $4m
Increase in Current assets from $5m
Increase their stock of veg/cans
Decrease their trade receivables (debtors) from customers/food retailers
Increase their trade payables (creditors) from suppliers of veg/cans

</td><td>4</td></tr>
</table>

Question	Answer	Marks
2(c)	**Analyse two methods of selection VC could use when choosing a new manager for the factory.**	**8**

Level	Knowledge and Application (4 marks)	Marks	Analysis (4 marks)	Marks
2b	Shows understanding of how VC could use two or more methods of selection	4	Developed analysis of two method of selection in context	4
2a	Shows understanding of how VC could use one method of selection	3	Developed analysis of one method of selection in context	3
1b	Shows knowledge of two or more methods of selection	2	Limited analysis of two or more methods of selection	2
1a	Shows knowledge of one method of selection	1	Limited analysis of one method of selection	1
0	No creditable content			0

Content
- CV/application forms – look for experience in the industry, advantages and disadvantaged of using CVs. All on paper. Does not bring the candidate to life and show motivation or finance skills
- Interviews – ask questions that shows knowledge and how the applicant would deal with situations e.g., employee relations
- Tests – e.g., role play could be used as part of the selection process. This would have good advantages for VC – can see who has the best inventory management and finance skills
- Trial period (probation) before formalizing any job offer. Advantages and disadvantages of this.

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Examples of methods	Examples of application/context	Examples of possible analysis
CV/application forms	Identify relevant experience of inventory management	Minimises the number of applicants to be interviewed to those who identify skills
Interviews	Ask questions relating to employee management	Allows for the selection of managers who can explain problems or situations
Tests	Work based tests of inventory management and finance skills	Can select manager with the best demonstrable skills which reduces mistakes
Trial period	Trial as factory manager	Ensures that the manager isn't exaggerating the truth and can do his job

Question	Answer	Marks
2(d)	**Evaluate the usefulness of the product life cycle to VC when making marketing decisions.**	**11**

Knowledge and Application (4 marks)	Marks	Analysis and Evaluation (7 marks)	Marks
		A justified evaluation based on a developed argument of **one or more** uses of the Product Life Cycle in context	7
		A developed evaluation based on a developed argument of **one or more** uses of the Product Life Cycle in context	6
		A basic evaluation based on a developed argument of **one or more** uses of the Product Life Cycle in context	5
Shows knowledge of the product life cycle AND marketing decisions in context	4	Developed argument of two or more uses of the product life cycle in context	4
Shows knowledge of the product life cycle OR marketing decisions in context	3	Developed argument of one use of the product life cycle in context	3
Shows knowledge of the product life cycle AND marketing decisions	2	Limited analysis of two or more uses of the product life cycle	2
Shows knowledge of the product life cycle OR marketing decisions	1	Limited analysis of one use of the product life cycle	1
No creditable content			0

Note: Full marks can be gained from only ONE use of the product life cycle; two DEV's must still be awarded (pros and cons)

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(d)</td><td>

Content

- Can identify the varieties which may require extension strategies (i.e. develop product)
- Can identify varieties which should be discontinued (in in decline)
- Can identify where promotional spending should be – i.e. on varieties in growth stage
- Can help to know which pricing strategies to use
- Can help to know which distribution channels to use
- Can help to introduce the new frozen veg into the market
- Can help to manage a large portfolio of varieties/products

An example of how an answer could develop and how it should be annotated.

<table>
<tr><th>K</th><th>APP</th><th>AN</th><th>ANAN</th><th>EVAL</th></tr>
<tr><td rowspan="2">Product lifecycle is the stages from birth/ invention to death/ decline</td><td>Could identify canned vegetables in their mature/ decline phase</td><td>Which could then be reformulated or rebranded to extend their life</td><td>Which could influence promotional activities and spending</td><td rowspan="2">The product lifecycle is very important for VC (Basic recommendation)

because it means they can manage their product lines and maximise revenue (Developed recommendation)

however it depends on the quality of the information gathered (Justified recommendation)</td></tr>
<tr><td>Can manage a large portfolio of canned products</td><td>Which may result in a reduction in product duplication</td><td>Which could minimise the product range and reduce inventory costs</td></tr>
</table>

</td><td>11</td></tr>
</table>