Cambridge Assessment International Education

# Cambridge International AS & A Level

**BUSINESS** **9609/21**

Paper 2 Data Response **October/November 2020**

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.

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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.

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| Question | Answer | Marks |
|---|---|---|
| 1(a)(i) | **Define the term 'corporate social responsibility (CSR)' (line 3) .** | **2** |

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

*Answers could include:*
When a company aims to act ethically and responsibly to ensure that the public perceives it positively and may help to attract new customers.

A correct definition should include the following elements (allow one mark for each element):
- Acts ethically / in the interests of society / the environment
- Helps attract new customers / considers impact on stakeholders / business objective beyond legal obligations

| Exemplar | Mark | Rationale |
|---|---|---|
| Businesses act ethically and consider the impact of their actions on customers | 2 | Both elements – ethically and impact on a stakeholder (customers) |
| Where a business considers the impact on the environment | 1 | One element only |
| CSR is a business objective | 0 | Not defined |

| Question | Answer | Marks |
|---|---|---|
| 1(a)(ii) | **Explain the term 'triple bottom line' (line 15).** | 3 |

| Rationale | | Marks |
|---|---|---|
| **C** | An explanation of all three elements of a triple bottom line to include, e.g. an example or some other way of showing a good understanding | 1 |
| **B** | An understanding of all three elements of a triple bottom line | 1 |
| **A** | An understanding of two elements of a triple bottom line | 1 |

*Answers could include:*
The 3Ps of people, planet and profit. Broader measure than the financial bottom line to include a measure of businesses social responsibility, economic value, and environmental impact.

| Exemplar | Mark | Rationale |
|---|---|---|
| It is to maximise profits for shareholders, taking care of the environment and benefitting the community | 3 | All 3 elements + example '*maximising* profits for shareholders' |
| The triple bottom line includes social, environmental and economic objectives | 2 | All 3 elements but no expansion |
| Triple bottom line puts the planet before profit | 1 | Only 2 elements |
| The triple bottom line refers to the base objectives of a business | 0 | NAQ – no explanation or evidence of understanding |

| Question | Answer | Marks |
|---|---|---|
| 1(b)(i) | **Refer to Table 1.1. Calculate the forecast profit margin for the year ending 30 November 2020.**<br><br>**Rationale** / **Marks**<br>Correct answer with or without correct working or % — 3<br>Formula and correct calculation of profit — 2<br>Formula or correct calculation of profit for end of Nov 2020 — 1<br>No creditable content — 0<br><br>e.g.<br>Profit margin = (profit / total revenue) x 100 (1)<br><br>Profit for end of Nov 2020 = 6.4m – (3.4m + 1.6m + 200 000) = $1.2m (1)<br><br>$1.2m / $6.4m = 0.1875 (2)<br><br>($1.2m/$6.4m) x 100= 18.75% (3)<br><br>Accept any answer between 18.7% and 19% (3)<br>% not required for full marks<br><br>**OFR*** | **3** |

| Rationale | Marks |
|---|---|
| Correct answer with or without correct working or % | 3 |
| Formula and correct calculation of profit | 2 |
| Formula or correct calculation of profit for end of Nov 2020 | 1 |
| No creditable content | 0 |

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)(i)</td><td>Common incorrect/correct answers
<table>
<tr><td>Answer</td><td>Mark</td><td>Rationale</td></tr>
<tr><td>18.75</td><td>3</td><td>Correct answer – does not need %</td></tr>
<tr><td>18.8%</td><td>3</td><td>Correctly rounded answer (1 dec place)</td></tr>
<tr><td>19%</td><td>3</td><td>Correctly rounded answer (0 dec places)</td></tr>
<tr><td>0.1875</td><td>2</td><td>Incomplete calculation – did not x100</td></tr>
<tr><td>[3 – (1.6 – 0.2)] / 6.4 x 100 = 25%</td><td>2</td><td>Method is correct except (1.6 – 0.2) should be<br>(1.6 + 0.2), a mistake in the sign. This is an example of *OFR below</td></tr>
<tr><td>25% (no working)</td><td>0</td><td>No calculation and wrong answer</td></tr>
<tr><td>Profit margin = (profit/total revenue) x 100</td><td>1</td><td>Formula only</td></tr>
<tr><td>$1.2m</td><td>1</td><td>Correct calculation of profit</td></tr>
</table>
*OFR means the use of the own figure rule – this aims to reward a candidate for the stages of a calculation that are correct, even if an earlier stage or figure used is incorrect. An early mistake, for example, would create all following calculations to have wrong answers, but these are still rewardable (if correct when using a candidate’s own figures) Therefore the candidate cannot gain marks for the stage that was incorrect, but can gain all the subsequent marks.</td><td></td></tr>
</table>

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

**Explain <u>one</u> likely effect on UC of a decrease in profit.**

<table>
<tr><th>Level</th><th>Knowledge and Application</th><th>Marks</th></tr>
<tr><td>APP</td><td>Explanation of an effect of a decrease in profit on UC</td><td>3</td></tr>
<tr><td>K+K</td><td>Explanation of an effect of a decrease in profit</td><td>2</td></tr>
<tr><td>K</td><td>Identification of an effect of a decrease in profit</td><td>1</td></tr>
<tr><td>0</td><td>No creditable content</td><td>0</td></tr>
</table>

**Context and content is likely to come from:**
Possible effects may include:

- May affect surplus for reinvestment in the apprenticeship scheme
- May affect demand if business confidence in UC falls
- May delay plans for factory A
- May cause employees to worry which could lead to demotivation

<table>
<tr><th>Identification of an effect<br>(K - 1 mark)</th><th>Explanation<br>(K+K - 2 marks)</th><th>Possible context<br>(APP - 3 marks)</th></tr>
<tr><td>May have to decrease costs</td><td>to avoid getting into debt</td><td>so may cut its training scheme for the long-term unemployed</td></tr>
<tr><td>They have less to invest in the business</td><td>which could affect expansion plans</td><td>such as the automation of factory A</td></tr>
</table>

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

| Question | Answer | Marks |
|---|---|---|
| 1(c) | **Analyse <u>two</u> likely effects on the other employees if Jack is dismissed.** | **8** |

| Level | Knowledge and Application (4 marks) | Marks | Analysis (4 marks) | Marks |
|---|---|---|---|---|
| 2 | Shows understanding of two effects, on other employees, of dismissal **in context** | 4 | Developed analysis of two effects, on other employees, of dismissal **in context** | 4 |
| | Shows understanding of one effect, on other employees, of dismissal **in context** | 3 | Developed analysis of one effect, on other employees, of dismissal **in context** | 3 |
| 1 | Shows knowledge of two effects of dismissal | 2 | Limited analysis of two effects of dismissal | 2 |
| | Shows knowledge of one effect of dismissal | 1 | Limited analysis of one effect of dismissal | 1 |
| 0 | No creditable content | | | |

Dismissal is when an employee is asked to leave the workplace for misconduct or for disobeying company rules and policies.
Context could come from
- Jack's negligence causing faulty part – Is the dismissal fair?
- Because of the recall cost, there will be a reduction in profit - some employees may be asked to leave
- Accelerate the automation of factory A – less need for production supervisors or other workers
- Effect on motivation to work overtime
- Uncertainty/distrust of management

| Question | Answer | | | Marks |
|---|---|---|---|---|
| 1(c) | **Example of an effect (K)** | **Examples of application/context (APP)** | **Examples of possible analysis (AN + DEV)** | |
| | Other employees may have an increased workload | as they may have to cover Jack's supervisor role | hence this increased workload could cause them to become tired, (AN) make more mistakes and fear dismissal (DEV) | |
| | It could lead to the firm becoming more capital intensive | Jack's mistake, which lead to his dismissal, could accelerate plans to automate factory A | with more consistent production (*due to automation)* there will be less need for production supervisors (AN) or other workers. They may find it hard to get another job as those workers were previously long-term unemployed (DEV) | |

| Question | Answer | Marks |
|---|---|---|
| 1(d) | **Recommend whether UC should automate factory A. Justify your recommendation.** | **11** |

| Knowledge and Application (4 marks) | Marks | Analysis and Evaluation (7 marks) | Marks |
|---|---|---|---|
| | | Justified recommendation based on arguments **in context** | 7 |
| | | Developed recommendation based on arguments **in context** | 6 |
| | | A recommendation based on arguments **in context** | 5 |
| Shows understanding of two aspects of automation **in context** | 4 | Arguments (two-sided) based on the advantages and disadvantages of automation **in context** | 4 |
| Shows understanding of one aspect of automation **in context** | 3 | Argument (one-sided) based on the advantages or disadvantages of automation **in context** | 3 |
| Shows knowledge of two aspects of automation | 2 | Limited analysis of advantages and disadvantages of automation | 2 |
| Shows knowledge of one aspect of automation | 1 | Limited analysis of advantages or disadvantages of automation | 1 |
| No creditable content 0 | | | |

*Context/content:*
- Faulty part made in factory A which uses batch production
- Costs of recall may delay change
- Effect on employees especially skilled workers
- Effects on apprenticeship scheme
- Will they be able to meet their social enterprise objectives?
- Lower unit costs in factory B
- Cost of investment may mean less to invest in employee training
- Why the need to reduce unit costs? Social enterprise is already making a good profit, even after recall
- Could reduce price, asked by customers, through efficiency savings

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(d)</td><td>Examples of how an answer could develop and how it should be annotated.
<table>
<tr><td>K</td><td>APP</td><td>AN</td><td>DEV</td><td>EVAL</td></tr>
<tr><td>Automated machinery is more consistent</td><td>The company will be able to produce engine parts more quickly</td><td>This should mean that the average unit cost will fall</td><td>Therefore UC could re-invest the extra profits into the company, as a source of finance, and help it achieve its CSR objective.</td><td rowspan="2">To some extent automation could be damaging to UC because of high start-up costs (EVAL) However, I would recommend that UC should automate Factory A (EVAL) as it will have a higher level of consistent output leading to lower average costs and higher profits in the long-run (EVAL)</td></tr>
<tr><td>UC should not automate as it would have high set-up costs</td><td>The cost of sales are already forecast to rise by $1.1m in 2020</td><td>This could mean that UC’s profitability will decrease</td><td>Consequently, as UC is a private company it cannot sell shares to the public to cover these costs so they may face a cash-flow problem and their liquidity may not be sustainable.</td></tr>
</table>
</td><td></td></tr>
</table>

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

**Define the term ‘efficiency’ (line 11).**

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

A peak level of performance that uses the least amount of inputs to achieve the highest amount of output/measure of productivity.

Efficiency requires reducing the number of unnecessary resources used to produce a given output including personal time and energy / produce goods at the lowest average cost.

A correct definition should include the following elements (allow one mark for each element):
- Measures inputs relative to outputs
- Average/lowest cost of production / over a period of time / highest ratio of production

| Exemplar | Mark | Rationale |
|---|---|---|
| Efficiency is the amount of output produced, in a given period of time, per number of employees working. | 2 | Has inputs relative to outputs over a period of time – so both elements |
| Efficiency can be measured by how much is completed, per worker, in a time period | 2 | Both elements |
| The term efficiency refers to the level of output in comparison with hours of labour | 1 | Only 1 element |
| Efficiency refers to how much a firm can produce | 0 | Too vague |

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

| Question | Answer | Marks |
|---|---|---|
| 2(a)(ii) | **Explain the term 'product life cycle' (line 2).**<br><br>Award one mark for each point of explanation:<br><table><tr><th colspan="2">Rationale</th><th>Marks</th></tr><tr><td>**C**</td><td>Example or some other way of showing good understanding</td><td>1</td></tr><tr><td>**B**</td><td>Understanding of another stage of the PLC</td><td>1</td></tr><tr><td>**A**</td><td>Understanding that a product goes through stages from launch to decline</td><td>1</td></tr></table><br>The stages a product passes through from launch, growth and maturity to decline.<br><br><table><tr><th>Exemplar</th><th>Mark</th><th>Rationale</th></tr><tr><td>The product life cycle has four steps which are introduction, growth, maturity and finally decline (A+B). It shows where a product is and the process when launching the product, over a period of time in the market (C)</td><td>3</td><td>All 3 categories covered.</td></tr><tr><td>The product life cycle is the process the product goes through after it is released on the market. It then goes through growth, maturity and decline (A+B)</td><td>2</td><td>Evidence of understanding the stages but no further development.</td></tr><tr><td>The product life cycle refers to the point at which a product enters the market to the point it dies (A)</td><td>1</td><td>Only launch and decline referred to in this answer.</td></tr><tr><td>Product life cycle includes every element of development a product goes through when it is being sold to the public.</td><td>0</td><td>Too vague, no understanding shown.</td></tr></table> | **3** |

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

**Refer to table 2.1. Calculate the value of <u>X</u>.**

| Rationale | Marks |
|---|---|
| Correct answer with or without correct working (can be accepted as a ratio or not) | 3 |
| Correct formula and correct calculation of current assets | 2 |
| Correct formula or correct calculation of current assets | 1 |
| No creditable content | 0 |

Formula: Current ratio = current assets/current liabilities (1)

Current assets = 50 + 20 + 20 = 90 (must show working) (1)
90 / 30 = 3

Answer = 3 or 3:1 (3)

Common incorrect answers

| Answer | Mark | Rationale |
|---|---|---|
| 3:1 | 3 | Correct answer in ratio format |
| 30/90 = 0.33 | 2 | Inverted formula, but correct calculation of current assets |
| 0.33 (no working) | 0 | Incorrect answers with no working cannot be rewarded |
| 50+20+20 = 90 | 1 | Correct calculation of current assets |
| 90 | 0 | Incorrect answers with no working cannot be rewarded |
| CA/CL<br>CA = 50+20 = 70<br>CL = 30<br>70/30 = 2.33 | 2 | Formula is correct, CA miscalculated – however based on own figure (OFR) the end result is correct. Applied the formula but with one mistake calculating CA |
| CA/CL<br>CA = 50+20 = 70<br>CL = 20+30 = 50<br>70/50 = 1.4 | 1 | Formula is correct, but CA and CL miscalculated – two mistakes |
| 70/50 = 1.4 | 0 | No identification of where the figures came from, so no credit can be given (working does not back up the incorrect answer). |

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

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| Question | Answer | Marks |
|---|---|---|
| 2(b)(ii) | **Explain <u>one</u> reason why EC's liquidity is forecast to change.** | 3 |

| Level | Knowledge and Application | Marks |
|---|---|---|
| APP | Explanation of a reason why liquidity could change in context | 3 |
| K+K | Explanation of a reason why liquidity could change | 2 |
| K | Identification of a reason why liquidity could change | 1 |
| 0 | No creditable content | 0 |

*If the answer to Q2bi is used, then OFR – so an incorrect answer given in Q2bi can be used correctly here and given full credit.*

**Context and content is likely to come from:**
- 50% increase in ratio (OFR)
- All current assets forecast to increase substantially e.g. cash forecast to double
- Current liabilities only forecast to increase by 20%
- Forecasts so may be inaccurate
- Uncertainty about growth in sales

| **Identification of a reason (K - 1 mark)** | **Explanation (K+K - 2 marks)** | **Possible context (APP - 3 marks)** |
|---|---|---|
| Demand increases | which increases sales and trade receivables | demand for electric cars is forecast to substantially increase over the next 10 years |
| Current assets increase | which increases inflows | all current assets forecast to increase at a greater rate than current liabilities |
| Current assets increase | more than current liabilities | this can be seen by the increase in the current ratio to 3 |
| Current liabilities change | – | – |

| Question | Answer | Marks |
|---|---|---|
| 2(c) | **Analyse <u>two</u> reasons why clear business objectives are important for EC.** | **8** |

| Level | Knowledge and Application (4 marks) | Marks | Analysis (4 marks) | Marks |
|---|---|---|---|---|
| 2 | Shows understanding of two reasons for clear business objectives in context | 4 | Developed analysis of two reasons why business objectives are important in context | 4 |
| | Shows understanding of one reason for clear business objectives in context | 3 | Developed analysis of one reason why business objectives are important in context | 3 |
| 1 | Shows knowledge of two reasons for business objectives | 2 | Limited analysis of two reasons why business objectives are important | 2 |
| | Shows knowledge of one reason for business objectives | 1 | Limited analysis of one reason why business objectives are important | 1 |
| 0 | No creditable content | | | |

**Context/content may come from:**

- Help achieve growth / expansion / maximising profit
- Directing employees
- To inform and develop business planning e.g. long-term objective is to increase sales by 50% over the next two years and pay a dividend in three years' time
- Can identify where changes need to be made e.g. medium-term EC will need to cut unit costs through increased efficiency
- Can determine business priorities e.g. Immediate term objective is to survive

| Question | Answer | | | Marks |
|---|---|---|---|---|
| 2(c) | **Examples of a reason for clear business objectives (K)** | **Examples of application/context (APP)** | **Examples of possible analysis (AN + DEV)** | |
| | It is important to have clear business objectives to take advantage of an increase in demand | Therefore, it is important to EC to have objectives such as an increase in sales volume of 50% over the next two years to take advantage of this increase in demand | With this clear objective it is a guide for the whole company to work towards (AN) If EC meets this objective it should have an increased market share and a more secure future (DEV) | |
| | Objectives should influence a business to maximise profits | This is important for EC because 1 year ago it invested $10m in new production facilities | Therefore a clear objective to cut unit costs through increased efficiency (AN) should mean that EC's production employees are motivated, by clear direction, to improve productivity and reduce average costs (DEV) | |

| Question | Answer | Marks |
|---|---|---|
| 2(d) | **Recommend changes EC could make to its marketing mix to achieve its growth objective (line 13). Justify your recommendation.** | **11** |

| Knowledge and Application (4 marks) | Marks | Analysis and Evaluation (7 marks) | Marks |
|---|---|---|---|
| | | Justified recommendation based on arguments in context | 7 |
| | | Developed recommendation based on arguments in context | 6 |
| | | A recommendation based on arguments in context | 5 |
| Shows understanding of two changes to the marketing mix in context | 4 | Arguments based on two changes EC could make to its marketing mix to achieve its growth objective in context | 4 |
| Shows understanding of one change to the marking mix in context | 3 | Arguments based on one change EC could make to its marketing mix to achieve its growth objective in context | 3 |
| Shows knowledge of two changes to the marketing mix | 2 | Limited analysis of two changes to a marketing mix | 2 |
| Shows knowledge of one change to the marketing mix | 1 | Limited analysis of change to a marketing mix | 1 |
| No creditable content | | | 0 |

The marketing mix can be either:
- The 4 P's – product, price, promotion, place (distribution channels)
- The 4 C's - Customer solution, Cost to customer, Communication with customer, Convenience to customer

*Context/content:*
Changes in:
- **Promotion**
  Applies marketing methods to the growth stage of the product life cycle – Increased marketing budget to advertise widely; build a customer base; most likely above-the-line promotion;
  Move from niche marketing to mass marketing – Demand forecast to increase over the next 10 years
  Currently target high income groups could change to target other groups e.g. EC wants to enlarge product portfolio (product/customer cost/price discrimination)

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td></td><td>

<ul>
<li>Price<br>Currently use price skimming, could change e.g. Price penetration;<br>EC objective to increase sales by 50% (could link to price/promotion/place)</li>
<li>Product<br>Use most advanced technology in cars to ensure quality and reliable car e.g. improve battery life/range (customer solution), increase number of charging stations (customer convenience)</li>
<li>Place<br>Distribution channel likely through dealers<br>Direct selling e.g. internet website, showrooms</li>
</ul>

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

<table>
<tr><td>K</td><td>APP</td><td>AN</td><td>DEV</td><td>EVAL</td></tr>
<tr><td>One change EC could make is to use price penetration</td><td>This is because EC first launched its cars using price skimming</td><td>but sales growth was slow</td><td>With sales growth forecast to grow over the next 10 years, price penetration could help EC take advantage of this increase in demand and achieve its objective of a 50% increase in sales volumes</td><td rowspan="2">To some extent price penetration is an important change to make as it could make the cars more affordable for its customers (EVAL) but the change I would recommend the most is promotion to a wider market (EVAL). Price penetration is important but it is crucial that it is supported by an effective communication strategy through promotion changes (EVAL)</td></tr>
<tr><td>Promote electric cars to all income groups</td><td>Currently EC promotes to high income groups</td><td>If EC effectively promotes to other groups it will widen its market</td><td>and establish the company as a brand leader in this market, so the company can achieve financial security and reinvest profits in developing a larger product portfolio of electric cars</td></tr>
</table>

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