



Mock Exam 1

BUSINESS

9609/23

Paper 2 Data Response

1 hour 30 minutes

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.

Cambridge International is publishing the mark schemes for the October/November 2021 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

ALT P2 MOCK 1 MS

Benjamin's Beds (BB)

(a) (i) Define the term 'market share' (line 14). [2]

Content

- One mark for a portion/section of a market (or comparison with other businesses / whole market)
- One mark for controlled by a business or product The section of a market (1) controlled by a business. (1) Allow formula (sales of business / sales in market X 100) for 2 marks – either expressed as a formula or in words.

(ii) Explain the term 'efficiency' (line 21). [3]

The least amount of inputs (1) to make the maximum output (1) to reduce waste (1)

(b) (i) Refer to Table 2.1 and other information. Calculate BB's total annual cost if it uses the proposed new machinery. [3]

Total variable costs + fixed costs $(40 \times 7500) + (500\,000 \times 0.9)$ Answer = (\$)750 000

(ii) Explain one possible limitation to BB of using the proposed new machinery.[3]

A01 Knowledge and understanding

Limitations may include:

- Capital cost – opportunity cost of spending in other areas
- Retraining – may reduce cashflow / increase costs
- Space requirements – may require a new factory /extension
- Risk – compared to 'known' machinery A02 Application
- BB has a reputation for quality
- Beds – large product (large machinery)
- Use of Table 2.1 (in comparison to increased costs)
- Market is growing rapidly
- Wide range of consumer (online) styles required
- Decreasing staff morale and welfare.

(c) Analyse two possible disadvantages to BB of decreased staff morale and welfare. [8]

A01 Knowledge and understanding

Knowledge of morale – the confidence, enthusiasm, and discipline of a person or group at a particular time. Knowledge of welfare – a working environment that's healthy and safe for everyone in the workplace.

Disadvantages could include:

- Increased labour turnover
- Increased recruitment costs
- Increased training costs
- Decreased efficiency
- Increased trade union action.

A02 Application

- Large manufacturer of beds.
- Strong brand image for quality.
- Main distribution channel is B2B, but entering the B2C market (becoming more important as online orders are increasing).
- Old machinery currently used, but proposition to introduce new machinery (at a cost).
- Increased demand in the market – market is growing rapidly.
- Increased demand (online) for a wider range of styles – requires retraining.
- Pressure to reduce prices (and costs).
- BB uses non-financial motivators.
- Motivation was good until recently.
- Efficiency is falling – long hours due to increased demand (but no financial compensation?). A03 Analysis Disadvantages could include;
- Increased labour turnover; increase in BB's recruitment costs – may mean that producing beds for the online market, where profit margins are lower, is unprofitable.
- Increased recruitment costs; increase in BB's FC's – may reduce the impact of the 10% saving of the new machinery and make the business unprofitable.
- Increased training costs; lowers the ability of BB to compete in the online market – BB cannot take advantage of this growing market.

- Decreased efficiency; less beds being produced – may mean that BB cannot match the demands of the growing online market and lose market share.
- Increased trade union action; may lead to industrial action – reduce productivity so that BB cannot produce enough to meet the online demand and sales fall.

(d) Recommend whether BB should focus on the producer market (B2B) or the consumer market (B2C). Justify your recommendation. [11]

AO1 Knowledge and understanding

Knowledge of the consumer market (B2C), including:

- Purchased by the end-user
- Direct sales to consumers and through retailers and online
- Importance of brand in a competitive market
- Sales are likely to be single units. Knowledge of the producer market, including:
 - Purchased by a business who uses the product to produce another product/service
 - Direct sales to another business, unlikely to be through retailers
 - Importance of price, added value and durability
 - Sales are likely to be for multiple units.

AO2 Application

- Large manufacturer of beds.
- Strong brand image for quality.
- Main distribution channel is B2B, but entering the B2C market (becoming more important as online orders are increasing).
- Old machinery currently used, but proposition to introduce new machinery (at a cost).
- Increased demand in the market – B2C market is growing rapidly.
- Increased demand (online) for a wider range of styles in B2C market – requires retraining and substantial marketing costs.
- Pressure to reduce prices (and costs) in B2B market.
- Limited range of styles in B2B market.
- Demand in B2B market is constant with low marketing costs.
- BB uses non-financial motivators.

- Motivation was good until recently.
- Efficiency is falling.

A03 Analysis and A04 Evaluation

A recommendation about a whether RR should focus on the consumer (B2C) or producer (B2B) market.

A judgement over the relative suitability of each market.

Elements that the recommendation/judgement could depend upon.

Weighing up of the impacts on choosing a market.

Weighing up of the likely advantages/disadvantages of each market.

For B2C

- B2C online sales increasing
- Hotels want to reduce prices
- No increase in demand from hotels

For B2B

- constant demand from hotels aids planning
- Less marketing needed for hotels
- Limited bed range may increase production as less downtime needed for

Ontime Taxis (OT)

(a) (i) Define the term 'limited liability' (line 2). [2]

Any two of the following points: continuity, separate legal identity; shareholders; losses limited to investment/no personal risk.

(ii) Briefly explain the term 'competitive pricing strategy' (line 3).

[3]

Basing the price on what the competition is charging. This may be to set the same price as the competition or, in most cases, to set a lower price than the competition.

(b) (i) Using Table 2 and any other relevant information, calculate the break even number of kilometres each month for vehicle Z. [3]

Fixed costs or fixed cost or $TR = TC^{**} \text{ Contribution price} - \text{variable costs per}$

unit

$$\text{Contribution} = \$0.50 - \$0.30 = \$0.20$$

$$380/0.20 = 1900 \text{ kilometres}$$

(ii) Explain one reason why break even analysis might not be useful to OT when choosing the new vehicle. [3]

Content:

- Costs could change, especially with a new car which could have accidents, etc.
- Not just about the costs – quality/safety may be more important
- How long will each car last – what is the maximum mileage?
- Does not take into account profitability – If many miles above breakeven are completed then Car Y might be far more profitable

(c) Analyse two external sources of finance OT could use for the new taxi. [8]

Content

- New shareholders – OT is a private limited company (LTD/LLC) so can sell shares but not to the general public. Loss of control of business.
- Bank loan – can be secured or not on the car
- Leasing – good option for a car as lower maintenance costs, etc.
- Debt factoring
- Hire purchase
- Grant/government finance
ARA

(d) Using Table 1 and any other relevant information, recommend the market segment OT should target. Justify your recommendation. [11]

Using Table 1 and any other relevant information, recommend the market segment OT should target. Justify your recommendation.

* If only one segment has been identified, any repeat AN's should be marked as repeat so the counters show the correct analysis level

Contents

Shoppers:

- Short journeys – low revenue
- Long time period for journeys – could be higher number of customers
- No brand loyalty – taxis will need to be conveniently placed
- Taxis will need to be driving around to pick up customers – will increase variable costs

Commuters

- Longer journey than shoppers– more revenue
- Shorter journeys than night time
- Two relatively short periods for travel – could be too busy to cover with 5 taxis (or 1 taxi if only new taxi is used)
- High brand loyalty – quality of service will be important
- Booked in advance – so can plan other work (airports etc..) around pre-booked journeys

Night-time

- Longest journeys – highest potential revenue
- Anti-social hours (and possibly anti-social behaviour)
- Longer period for travel than commuters
- Some brand loyalty – could build up a good reputation and perhaps lead to telephone bookings