



# Mock Exam 2

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**BUSINESS**

**9609/23**

Paper 2 Data Response

**1 hour 30 minutes**

MARK SCHEME

Maximum Mark: 60

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**Published**

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## ALT P2 MOCK 2 MS

### Security Alarms (SA)

**(a) (i) Define the term 'revenue' (line 14)** [2]

Revenue is the money that flows into a business from selling its goods/services to consumer. Revenue is calculated by selling price \* quantity

**(ii) Briefly explain the term 'consumer markets'. (line 4)** [3]

The consumer market pertains to buyers who purchase goods and services for consumption rather than resale. Examples include shops, supermarkets and retail stores. It does not involve one business selling to another business.

**(b) (i) Refer to Table 2. Calculate the forecast margin of safety for the new service.** [3]

MOS = Expected Sales - break-even sales

ES are  $(2.5 \text{ mn}/500) = 5000$

MOS =  $5000 - 3000$

MOS = 2000 subscriptions

**(ii) Explain one limitation to SA of using break even analysis.** [3]

Limitation (KK)	Possible context (APP)
Based on forecasts/estimates	SA have not started selling this service yet and have no experience in this industrial market
Assumes a constant price	Likely to need to discount the price to penetrate the industrial alarm market
Assumes fixed costs remain constant as output rises	As more alarms are fitted SA may need to increase the office size etc.
Assumes a constant variable cost per unit	As more alarms are fitted less efficient staff to man the telephones may need to be employed – diminishing returns
Assumes all output is sold	SA may produce a stock of alarms which may not all be sold in the first year
Assumes the fixed costs from one product can be allocated accurately	SA will have some fixed costs (such as management) which are difficult to allocate between the consumer and industrial markets

**(c) Analyse two possible reasons why SA's objectives have changed over time.** [8]

Contextual analysis likely to come from:

- Unrealistic original objective; one shop to become market leader?
- Not specific enough original objective; market leader where?
- Legal structure has changed to plc, so shareholders may now be part of the objective
- Core business has changed – now in secondary and tertiary sector
- Now producing and selling home alarms, not car alarms
- Tastes may have changed
- New focus on the industrial market.
- The priority of objectives may have changed

**(d) Discuss suitable market research methods that SA could use before deciding whether to launch the new service. [11]**

#### Primary

- Focus groups linked to their current home or business customers, advantages of focus groups (can cover profile of customers, have a dialogue, ask/respond to questions)
- Surveys/questionnaires to business or home customers (advantages: more quantitative data can be analysed, large sample used; disadvantages: cost, customers may not complete, would need a large sample to be accurate of the results)
- Interviews to business/home customers (advantages: 1-1 contact, can have a very detailed conversation, qualitative data can come through; disadvantages: cost, expertise to ask the correct questions, compiling the results can take time)
- Surveys of the competition – do they provide this service? What is the cost? usefulness: being in line with market trends.

#### Secondary

- Reports on the market from marketing specialists
- Analysis of crime statistics/reports on the area
- Any newspaper articles about crime/local area
- Economic/demographic information: unemployment, households, incomes
- Advantages of secondary: can be easily available, most available on-line, cheaper
- Disadvantages: not as accurate, may be out of date, lack of qualitative data Evaluation is likely to come from a candidate:
- Judging which market research methods could work best for SA and justifying this in the context for example, surveys to current customers

Weighting their response, for example, why one method would be better than another is likely to lead an evaluative response. [1]

### Flora's Fitness (FF)

**(a) (i) Define the term 'corporate social responsibility (CSR)'. [2]**

A full definition should cover the following:

- objectives/strategy focused on
- economic, social and environmental benefits (people, profit and planets), triple bottom line (at least two) Content: A business which aims to benefit society, the environment as well the owners (2) Economic, social and environmental benefits not just about making profit (2) An objective to look after the environment (1) Economic, social and environmental benefits (1)

**(ii) Explain the term 'start-up capital'. (line 2) [3]**

Content:

- Money invested (1) to purchase everything necessary to set-up (1) a business, e.g. machinery (1)
  - Money used (1) to purchase everything necessary to launch (1) a business
- Other appropriate responses should also be credited.

**(b) (i) Refer to Table 1.1 and any other relevant information. Calculate the maximum weekly revenue for pricing strategy 1. [3]**

$\$5 \times 20 = \$100$  (per session)  $\$100 \times 2 = \$200$  (per day)  $\$200 \times 5 = \$1000$  (per week)

Answer = \$1000 (accept with or without \$)

**(ii) Explain one advantage to FF of pricing strategy 2. [3]**

Knowledge of pricing strategies may include: competitive, penetration, skimming, price discrimination, cost-based pricing.

Knowledge of pricing strategies can be implied.

Possible advantages of pricing strategy 2 include:

- Guaranteed income – no matter how many people Flora would get \$75

- Helps with cash flow – when Flora is starting the business. Other appropriate responses should also be credited.

**(c) Analyse two sources of secondary information Fiora could use to find out more about trends in the fitness market. [8]**

Knowledge and understanding may include:

Examples of sources of secondary market information

- Reports
- Census data
- News reports
- Magazines
- Newspapers
- Internet Application may include:
  - Fitness activities (fitness market is in the question)
  - \$10 000 start-up capital
  - ABC is a national bank with a focus on CSR
  - ‘Healthy employer’
  - Why employees do not go to fitness centres

Analysis may include:

- Impacts on the business that could arise from the secondary source research
- Costs/limitations of the secondary research (out-dated)
- Benefits of the secondary research (quicker, cheaper etc.) Exemplars:
- Published reports about keeping fit can provide data on current fitness trends which can influence her work out routines.
- News reports detailing fitness trends which can be done in lunch hours to meet target market needs. Other appropriate responses should also be credited.

**(d) Evaluate the benefits to ABC of offering employees fitness sessions. [11]**

Knowledge and understanding may include:

- Motivation; theory and practice
- Fringe benefits and perks
- HRM Application may include:

- ABC – a national bank
- ABC – focus on CSR
- One session before work and one session at lunchtime
- Paid by bank (discount/fringe benefit) for employees
- Survey revealed that high prices and lack of time are reasons employees do not go to the gym
- Fitness is becoming a trend in country P

Analysis may include:

- Benefits of fitness sessions to employees
- Impact on ABC of fitness session

Evaluation:

- Extent of the benefit(s) to ABC
- Benefit(s) of sessions vs costs to ABC
- What the benefit(s) might depend on; number of participating employees, interest from ABC employees, etc.
- A judgement over whether fitness sessions are more of a benefit than a cost to ABC
- A judgement over which is the most important benefit to ABC. Other appropriate responses should also be credited.