



Mock Exam 3

BUSINESS

9609/23

Paper 2 Data Response

1 hour 30 minutes

MARK SCHEME

Maximum Mark: 60

Published

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ALT P2 MOCK 3 MS

Flight Food (FF)

(a) (i) Define the term 'secondary sector' (line 1). [2]

Businesses that manufacture raw materials (or assemble components) into finished goods

(ii) Explain the term 'market segmentation' (line 6). [3]

Content

Dividing the total population that might demand a product or service into smaller sections where people share certain characteristics. For example, a soft drinks manufacturer might segment their market by age groups.

(b) (i) Refer to Table 2.1. Calculate the total number of meals per day produced by both teams. [2]

Answer = 42 000 meals

1000 workers X 30 meals = 30 000 meals (day)

500 workers X 24 meals = 12 000 meals (night)

(ii) Explain two ways in which FF may be affected by the lower productivity of employees working in Team B. [4]

Content:

- FF may have reduced revenue from having less meals to sell to airlines.
- FF may have higher costs than the competition – very competitive market.
- FF may not be able to afford the capital for mass production.
- Low productivity may make the decision to move to mass production more appealing.
- May lead to dismissing some of the 500 night-shift workers.
- May lead to tougher targets for the workers. ARA

(c) Analyse two possible disadvantages for FF of using Just in Time (JIT) to manage inventory. [8]

Content:

- Risk of running out of stock
- More planning needed
- Must have good relationship with supplier
- No backup inventory in case of a supply chain problem
- Poor quality products may lead to major disruption
- No spare finished stock just in case ARA

(d) Evaluate the possible effects on FF of a change from a labour intensive process to a capital intensive process.

Content:

- Staff morale is the job satisfaction, outlook, and feelings of well-being an employee has within a workplace setting.
- Staff welfare is about keeping workers healthy and safe.
- Some workers may be made redundant – this is likely to affect the morale of the workers still employed by FF.
- A move to capital intensive may lead to a less satisfying job for the employees of FF – less variety of meals, etc.
- Employees may lose the 5 minute changeover time – may have H&S implications – working longer hours, more intensive etc.
- Employees may see that there is even less job security (already low with 6-month contracts).
- The loss of production targets may improve staff morale because there is less pressure to produce.

The speed of production will be set by the machinery which may put workers under undue pressure, or to produce at an unrealistic rate. ARA

Cartoon Costumes (CC)

(i) Define the term 'inventory' (line 7). [2]

A correct definition should include the following elements:

- Stock/raw materials/work in progress/finished goods/current asset
- An idea of the function, e.g. to be able to produce, to be able to meet customer demand etc.

(ii) Explain the term 'entrepreneur' (line 1). [3]

Allow any reasonable characteristic of an entrepreneur, for example:

- risk taking
- innovative

- multi-skilled
 - leader
 - resilience/able to bounce back
 - sets up a business
 - passion
 - self-confidence
 - ambition
 - hardworking
 - persuasive
 - aiming for profit (do not allow 'get rich – too vague)
 - makes decisions
 - one of the factors of production (entrepreneurship)
 - organises the factors of production
 - organises/raises/provides finance
 - an example of an entrepreneur (do not allow Ava)
- Only reward each characteristic once.

(b) (i) Refer to Table 2.1. Calculate the change in CC's working capital between 2021 and 2022.

[3]

Current assets – current liabilities

2021: $50 - 45 = 5$

2022: $60 - 40 = 20$

Increase of \$15 000

Answer = \$15 000

(ii) Explain the distinction between revenue expenditure and capital expenditure for CC.

[3]

Content

Capital expenditure is spending on non-current assets like property, plant and equipment.

Revenue expenditure is spending on short-term expenses used in the current period or typically within one year.

Contextual examples include:

Capital expenditure:

- Large sewing machine
- Non-current assets value of \$8000

Revenue expenditure:

- Brightly coloured materials
- Rent on new shop
- Wages for the new employee ARA

(c) Analyse one possible advantage and one possible disadvantage to CC of using crowdfunding to finance growth.

[8]

A01 Knowledge and understanding

Knowledge of advantage may include:

- A speedy/easy way to raise finance.
- No upfront fees for the business.
- May not need to be repaid.
- May be a way of advertising the business.
- Feedback from potential customers.
- It is a good way to test market the product/business idea.
- Ideas that may not appeal to conventional investors can often get financed more easily.

Investors often become loyal customers.

Knowledge of disadvantages may include:

- It can include more complex issues when gaining finance.
- Not all crowdfunding projects reach their goal.
- Marketing/operational costs of setting up on a crowdfunding platform.
- If the funding target is not reached, money is usually returned to investors.
- Risk to reputation of a failed project.
- The idea may be copied
- The cost of giving rewards/discounts may make it unprofitable.
- Difficulties of having a large number of potential investors.

A02 Application

- Ava owns 100% of the shares of CC.
- Ava is planning to use the crowdfunding to purchase inventory to grow.
- Sales of children's costumes (outfits).
- Costumes are sold through e-commerce.
 - Costumes based on popular TV and movie characters (allow relevant examples).
- Costumes are made from brightly coloured materials which CC buys in bulk.
- CC owns a large sewing machine.
- CC has completed two full years of trading (in third year).
- Use of Table 2.1.
- CC used to be operated from Ava's house, now in a rented shop in a shopping centre.
- CC is recruiting a salesperson.
- CC is private limited company (so limited in finance options)

A03 Analysis

Analysis of the advantages may include:

- Marketing benefits – potential customers may see CC's crowdfunding campaign and choose to purchase her outfits.
- A way of gaining finance without interest – lower cost OR a way of reducing the interest payable.
- Can be a quick way of gaining finance – the quicker CC opens a shop the more sales.
- Crowdfunding can provide CC with feedback on the business and products.

- May provide more finance than CC requires now, giving more opportunities for growth in the future.
- Investors are likely to become customers (and vice versa), may increase CC's customer base.

Analysis of the disadvantages may include:

- Ava may lose equity in CC, may reduce her motivation and she might (eventually) lose control of the business.
- Ava may have to give a dividend to the new owners, which may reduce any future profits available for reinvestment and growth in the future.
- Ava may have to pay a penalty if the funding is not repaid or lose ownership of an asset (assuming loan crowd funding).
- If the target amount is not reached, CC will not gain any money and have wasted time and effort on this.
- Risk of competitors seeing what Ava's plans are for CC.
- Time and money required to set up the crowdfunding project – takes Ava away from design and sales.

(d) Refer to Table 2.2 and other information. Recommend which person Ava should employ. Justify your recommendation. [11]

Knowledge may include:

- Selection
- Selection criteria

Application may include:

- Details in Table 2.2
- Sells 'dress up' outfits for children
- Based on popular TV and film characters
- Shop in a shopping centre
- Salesperson job.

Analysis may include:

Liu

- Younger (18) – – may be closer to age of consumers (children dress up).
- Some experience but less than Ahura – only part time probably while doing A-Levels. Food retail, still retail, but not in this industry.
- A-Levels, especially in Business which may be useful. However how useful are academic qualifications to working in a shop.
- Good customer service skills – useful for shop work.
- Likes working with people but this is a role working on own – may not be suitable.
- Likely to be short-term as she wants to go to university and own her own business. May train and then she leaves.

Ahura

- Older (47) – may be closer to age of customers (parents).

- Far more experience and specifically in a clothing shop. Acting experience may also help in 'dress up' clothing sales. However, unemployment may have reduced his skills – but also may work for lower wages.
- University degree, but likely to be irrelevant.
- Highly motivated which is likely to be important when selling in the shop. Only person in shop so likely to need admin skills and works well on his own. All necessary in this position.
- Lacks career ambitions but does this suggest no drive. Likely to stay in job, but if it does not work out, might be difficult to get dismissed.

Evaluation may include:

- A recommendation over which person Ava should employ, Liu or Ahura.
- A judgement/evaluation over the suitability of each candidate.
- Evaluation of the relative benefits/costs of each.
- Elements that the evaluation/judgement might depend upon – length of job, wage of job, Ava's personal feelings, geographical location, etc.

ARA

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