



Mock Exam 1

BUSINESS

9609

Paper 1 Short Answer and Essay

1 hour 15 minutes

MARK SCHEME

Maximum Mark: 40

Published

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Marking scheme Alt Business Paper 1 Mock 1

1a Define the term franchise. [2]

- A franchise is a business that uses the name/logo of an existing business (2)
- A legal contract between two businesses for one business to operate as a franchise (2)
- The process of a franchisor selling the rights of its business to a franchisee (2)
- Example of a franchise, e.g. McDonald's, KFC (1)

1b Explain two reasons why conflict might arise between different stakeholders. [3]

Answers could include:

- different stakeholders have different expectations/ requirements, e.g. shareholders and employees
- examples may be given:
 1. impact of business growth on local community
 2. more employment but possible environmental impact
 3. government requires more social responsibility
 4. shareholders may resist
 5. business needs to reduce costs
 6. suppliers resist pressure to reduce prices
- Accept any other valid response.

2a Define the term motivation.

[2]

Factors / reasons that stimulate employees / make them willing / encourage / drive them (1) to achieve a goal / objective (1) that affects the productivity of employees (1). To cause employees to be continually interested and committed to a job, role or business (1), to increase job satisfaction (1).

Some candidates are looking at 4(b) and interpreting motivation in terms of a leadership skill. This is acceptable.

2b Explain two advantages to employees of performance related pay.

[3]

Answers could include:

- employees feel more motivated
- may become more productive/efficient to increase their pay
- more able to meet their needs, e.g. physical, self-actualisation
- PRP will encourage some employees to focus more on targets
- may be a link between high PRP and promotion opportunities
- some employees will see PRP as a fairer system of payment – allows them to give extra effort and be rewarded
- an attractive payment system for employees whose output is not measurable in quantitative terms, such as management and supervisory staff
- incentivises employees to work hard and demonstrate their capability
- **Accept any other valid response.**

3a Define the term random sampling. [2]

Random sampling is a sampling method/technique/process (1) in which all members of a group or population (1) have an equal chance of being selected (1)

3b Briefly explain two non-price factors which could increase the demand for a good or service. [3]

Answers could include:

- Increase in consumer income.
- There is limited supply.
- Consumer confidence in the product / brand image.
- Changes in population size and structure.
- Changes in consumers' fashion and tastes.
- Degree and type of product marketing / advertising.
- Availability of substitute products.
- Seasonal variations.
- Convenience / accessibility of the place.

4 Explain the possible benefits of mass customisation to a computer manufacturer. [5]

- Mass customisation is a production process where there is a flow production of products with many standardised components

but with flexible equipment – often computer controlled that allows for variations in the product – the production process is supported by a flexible and multi-skilled workforce.

- There are low unit costs due to the flow production but also a flexibility to meet customers' individual requirements.
- A business using mass customisation can produce a variety of products and use a focused or differentiated marketing approach and achieve higher added value.
- A computer manufacturer can, using mass customisation, make a customised computer to meet customer specific needs in just a few hours. By changing just a few of the key components of computer production – and keeping the rest standard, low unit costs are achieved with greater product choice.
- The technology of mass customisation gives a computer manufacturer the advantages of high volumes combined with the ability to make slightly different products for different markets.

5a Analyse how break-even analysis might be used by a business when making a decision to introduce a new product. [8]

Answers could include: Knowledge and understanding

- A clear understanding of break-even analysis / point is given or implied.
- A clear understanding of introducing a new product.
Application
- The use of break-even analysis by a business.

Analysis

- A technique widely used by production management or management accountants.
- Total variable and fixed costs are compared with sales revenue to determine the level of sales or production where the business makes neither a profit or loss.
- The technique can be used to determine the point at which the sales volume reaches a pre-set profit level.
- The technique can be used to help increase the odds of success for a new product.
- The technique can be used to answer business questions, such as:
 - i. What is the potential size of the market?
 - ii. How should the product be priced?
 - iii. Where is the break-even point?
- Can provide vital management information, such as is it worth going ahead with this new product?
- Break-even charts are relatively easy to construct and interpret.
- However, there are limitations as to the use of break-even analysis, as:

- it is a simplistic, static model.

5b Discuss the importance of cash flow forecasting to a new car hire business.

Answers could include:

Knowledge and Understanding 2 marks

- clear understanding of cash flow forecasting

Application 2 marks

- reference to cash flow forecasting and a new car hire company

Analysis 2 marks

- initial definition of CFF
- initial identification of challenges facing any new/start-up business
- a review of the potential benefits of CFF
 - 1)if a business runs out of cash, it may face insolvency, so the benefits of CFF are that it identifies potential shortfalls in cash balances in advance – an early warning system
 - 2)ensures that a business can pay employees and suppliers
 - 3)assists cash flow management
 - 4)planning – identifies specific periods of cash deficiency
 - 5)provides external stakeholders, e.g. a bank, with vital information

- in relation to a new car hire business, will indicate the need to lease rather than purchase new cars – how to deal with maintenance and renewal costs – how to deal with seasonal cash flow issues

Evaluation 6 marks

Note: Judgements/conclusions may be made at any point in the essay as well as in a concluding section.

Evaluation marks can be awarded even when the supporting Analysis and Application content is not strong in an answer.

- A candidate may make a judgement/conclusion as to the importance of cash flow forecasting to a new car hire business.
- evaluative answers may well discuss the statement in terms of the difference between survival in the short term, and success in the longer term
- suggestions may be made that, as the business survives in the short- term, factors such as value proposition, customer relationships, cost structures, revenue streams and profitability may rank in importance alongside CFF
- suggestions may be made that other factors, such as the quality of management/leadership, systems, the quality of the product offer, pricing strategy and marketing, may be equally/more important than CFF.
Accept any other valid response.

6a Analyse the potential benefits for a business of a laissez-faire leadership style. [8]

Answers could include: Knowledge and Understanding 2 marks

- clear understanding of cash flow forecasting Application 2 marks

- reference to cash flow forecasting and a new car hire company

Analysis 2 marks

- initial definition of CFF
- initial identification of challenges facing any new/start-up business
- a review of the potential benefits of CFF
 - a. if a business runs out of cash, it may face insolvency, so the benefits of CFF are that it identifies potential shortfalls in cash balances in advance – an early warning system
 - b. ensures that a business can pay employees and suppliers
 - c. assists cash flow management
- planning – identifies specific periods of cash
- in relation to a new car hire business, will indicate the need to lease rather than purchase new cars – how to deal with maintenance and renewal costs – how to deal with seasonal cash flow issues

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- suggestions may be made that other factors, such as the quality of management/leadership, systems, the quality of the product offer, pricing strategy and marketing, may be equally/more important than CFF.
Accept any other valid response.

6b Discuss whether the ideas of David McClelland could help managers of a hospital to satisfy the human needs of its employees. [12]

Answers could include: Knowledge and Understanding 2 marks

- Clear understanding of the ideas of David McClelland
- Clear understanding of managers
- Clear understanding of human needs
- Clear understanding of employees
Application 2 marks

- Reference to the use of McClelland's ideas

1. Reference to satisfying human needs

Analysis 2 marks

Human needs: to be able to feed and clothe oneself; to have shelter (somewhere to live); to have some level of social interaction. Some people also desire social acceptance or respect of their peers/colleagues.

McClelland identified three key motivational factors: Achievement, Affiliation and Authority.

Achievement: some employees need to feel that their contribution to the hospital is recognised and appreciated. Workers who feel that they are fulfilling their potential within a hospital are more likely to feel comfortable and support the hospital. By recognising the achievements of employees and possibly rewarding them, their need for acceptance could be met.

Affiliation: meeting the needs of employees to feel a part of the hospital can be achieved by using focus groups to discuss ways of best dealing with any potential problems. Employees who feel involved are likely to have a more positive view of the hospital, while at the same time, working as part of a group can be meeting their need for social interaction.

- **Authority/Power:** Some employees need to feel that they have some input/impact on their work practices. If they are given some input into e.g. how changes will be implemented, then they feel some level of authority over the way the hospital is operating and adapting, perhaps in how patients are cared for. If they can be

involved in a decision-making process, employees need for authority can be met as well as their human need of recognition and respect.

Evaluation 6 marks

2. A candidate should make a judgement as to whether the ideas of David McClelland could help managers of a hospital to satisfy the human needs of its employees.
3. These judgements may be made at any point as well as in a concluding section.
4. The context is a hospital.
5. The extent to which the ideas of McClelland can meet the human needs of employees should be judged.
6. It can depend on the current approach used by managers in a hospital and the extent to which the employees are involved in discussion about any changes or issues facing the hospital.
7. McClelland's three factors can meet the human needs of employees, but it requires a level of involvement and trust on the part of the hospital managers.
8. Accept any other valid response.