



Mock Exam 2

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 2

1a Define the term comission. [2]

A commission is the compensation paid to the person or entity based on the sale of a product; commonly calculated on a percentage basis.

1b Explain how team working could improve the motivation of employees. [3]

Answers could include:

- Creates opportunities for social? and esteem needs to be met
- Creates a positive work environment
- Opportunities for more empowerment and job enrichment in teams
- Suggests more interesting work - away from one worker-one task
- Greater opportunity for employees to use and develop skills and talents
- Opportunity for employees to become multi-skilled
- Allows opportunity for more participation in decision-making
- Greater satisfaction in working on a more complete unit of work
- Provides emotional support - reduces conflict - increases bonds
- Accept any other valid response.

2a Define the term niche market. [2]

A focus on a small/subsection/group of a (larger) market (1) through specifically designed / specialised goods and/or services (accept example) (1) related to specific interests, which suit the customer (1).

2b Explain two factors which might influence supply of a product. [3]

Answers could include:

- Price customers are willing to pay for the product.
- Increase/decrease in profit margin.
- Level of demand from customers.
- Cost of production.
- Taxes imposed on suppliers.
- Subsidies paid by government to suppliers.
- Level/efficiency of productivity.
- Advances in technology/R&D.
- Number of businesses in the market.
- Availability of resources.

- Weather/seasons/holidays/natural factors.
- Ease of transport.
- Amount of imports or exports of the product.
- Accept any other valid response.

3a Define the term effectiveness.

[2]

- the capability of management to achieve business objectives/ targets/ goals (1)
- in a specified time (1)
- at a specified cost (1)
- the capability of satisfying customer needs (1)
- e.g. producing quality goods (1)
- 'doing the right thing' (effectiveness) rather than just 'doing the thing right' (efficiency) (1)

3b Explain two functions of an operations management department.

[3]

Answers could include:

- To design, create, produce goods and services for an

organisation and its customers – effectively.

- To direct and control the transformation process so that it is efficient and effective and adds value.
- To procure appropriate inputs in a cost-effective way.
- To manage an appropriate inventory level effectively.
- To focus on quality, speed of response, flexibility, type/cost of the production process.
- To achieve an effective labour/capital production mix.
- To incorporate latest technological approaches into the production process.
- To choose the optimal location for the business.

4 Explain how better management of trade receivables and trade payables can improve cash flow. [5]

Answers could include:

Trade receivables (debtors who have bought goods on credit) are shown on the statement of financial position (balance sheet). They are one of the current assets.

Trade payables (accounts payable or creditors) are shown on the statement of financial position (balance sheet). They are one of the current (short term) liabilities. Amounts owed to a supplier for goods or services bought on account rather than for cash and who have not yet been paid.

Cash flow is the sum of cash payments to a business (inflows) less the sum of cash payments (outflows).

Explanation linked to improving cash flow

- If credit control encourages trade receivables to pay for their goods and services more promptly this will bring money into the business more quickly and so improve cash inflow, therefore improving overall cash flow.
- If a business can delay the payment of its trade payables this will keep money in the business for longer, reducing cash outflow, therefore improving overall cash flow.
- The more goods the house builder can buy on credit the more they can delay the payment of trade payables until after payment of trade receivables. This will reduce cash outflows and improve the overall cash flow.
- Accept debt factoring as a management method.
- Accept keeping of good records as better management.

5a Analyse how marketing could be used to add value to a product.

[8]

Answers could include:

Knowledge and understanding

- Clear understanding of marketing

- Clear understanding of added value

Application

- Reference to a relevant business context, e.g. marketing activities

Analysis

- The concept of creating/adding value – the difference between the selling price of a product and the cost of the inputs – acquire and retain customers
- Effective marketing can contribute to adding value
- Use of high-quality packaging to differentiate the product from competitors, e.g. cosmetics, high quality confectionary
- Create an exclusive retail environment to persuade consumers to pay higher prices – perfume sales, expensive hairdressers
- Create a premium brand perception that customers will prefer to buy at a premium price, e.g. clothing, soft drinks, even though quality is no different to a 'no brand' product
- Create a USP to differentiate it from the competition and then heavily promote it
- Provide expert advice and information alongside the product that is more valuable than the competition
- Provide exceptional service/speed of service and delivery

- Increase convenience of purchasing, e.g. opportunities with internet shopping/quality of web page
- Offer discounts and preferential terms to regular customers
- Focus on customer perceptions and customer satisfaction
- Accept any other valid response.

5b Discuss the usefulness of secondary market research to a business planning to launch a new luxury perfume. [12]

Answers could include:

Knowledge and understanding 2 marks

- Understanding of secondary market research
- Understanding of product launch
- Understanding of luxury perfume

Application 2 marks

- Reference to stages of product launch
- Reference to brand names / image in the perfume market

Analysis 2 marks

- The collected data might not be directly relevant to perfume or specifically to the type of perfume being offered by this business
- The data has, by definition, been collected for another purpose and

might not be relevant to this business proposal

- The business needs to know how old the market research information is
- The business might not be planning to offer the same type of perfume to its new market or wishes to discover the needs/wants/preferences of its new market, in which case secondary market research is likely to be of little use.

Evaluation 6 marks

Any judgements/conclusions can be made at any point in the essay not just in a concluding section.

A judgement may be made using arguments such as:

- The type of market research used might be dictated by how much finance the business has available to spend
- How much research is needed to establish how different this luxury perfume is to others on the market
- If this business is aiming at a specific luxury market segment, then existing secondary research might be less relevant
- Not all businesses lack finance therefore this business might not be constrained by finance and might decide that secondary market research lacks direct relevance to this proposed launch so more expensive primary research may be used
- However, existing information can still help to focus further research thereby saving time and allowing primary research to

be much more focused and therefore more useful

- This business may need to turn to primary research and/or combine secondary and primary research
Accept any other valid response.

6a Analyse the possible disadvantages to a business of changing from batch production to flow production. [8]

Answers could include:

Knowledge and Understanding 2 marks

- Clear understanding of batch production.
- Clear understanding of flow production.

Application 2 marks

- Reference to change from batch to flow production.

Analysis 4 marks

- Batch: the production of a limited number of identical products. Each stage of production is completed before the next stage commences.
- Flow: the production of identical products in a continuous flow. Disadvantages can include:
 - The high cost of setting up a flow production method. More equipment might be involved that adds to the costs of production in the short-term.
 - Fewer employees might be needed, causing some redundancies, leading to demotivated workforce.

- High levels of output usually required to make flow production a profitable option. Is demand of the business high enough to justify the change?
- If there is a fall in demand it is more difficult to switch to the production of different products because flow production usually has dedicated equipment for the production on one product.
- If the business produces a wide variety of products, batch production might be more efficient. Non-productive time would occur while the flow production equipment was being switched to the production of a different product.
- Accept any other valid response.

6b Discuss the importance to a hotel of having effective inventory control.

[12]

Answers could include:

Knowledge and Understanding 2 marks

- Understanding of inventory control

Application 2 marks

- Reference of the control of inventory to the type of items to be found in a hotel such as, for example, food, bedding, towels, cleaning materials

Analysis 2 marks

- A suitable level of inventory is needed to satisfy customer needs, in this case guests in the hotel

- Most hotels serve meals and so the hotel will need to hold sufficient food supplies to provide meals to the guests as required
- Food stock will need to be carefully monitored to ensure that food is used within a suitable period. Food usually has a date by which it should be used (shelf life)
- A hotel will want to purchase its inventory at the best possible price but will have to be aware of the shelf life of the goods being purchased. Food not kept in the right conditions might cause illness to guests
- The reputation of hotels can depend on the quality of the food served
- Hotels also need to keep sufficient bedding and towels to adequately meet the needs of guests
- A sudden surge in demand for the services of the hotel must not leave the business unable to meet the needs of its guests therefore sufficient inventory must be held for that purpose .

Evaluation 6 marks

Any judgements/conclusions can be made at any point in the essay not just in a concluding section.

Judgements may be reached that:

- Can the reputation of the business be ruined if goods are not stored in sufficient quantities and the hotel cannot meet the demands of customers?
- Although many hotels will have a steady flow of guest bookings it can

also be difficult to predict a sudden surge or slump in demand e.g., the coronavirus pandemic caused a collapse in bookings leaving hotels with inventory ready to meet the demand of guests who never arrived

- Inventory control is not only about the quantity but equally importantly about the methods of storage used – cleaning materials will need to be stored safely (hazardous substances) but the most important are probably the food items which need to be stored correctly (perhaps refrigerated) and used in a timely manner
- Businesses need to make a profit which can be aided by careful inventory control.
- Other factors may be equally important such as quality of customer service given, sufficient well trained staff, it may depend on the type of hotel.
- Can risk factors be planned for in terms of effective inventory control? Accept any other valid response.