BUSINESS **9609/21**

Paper 2 Data Response May/June 2019

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 May/June 2019 series for most Cambridge IGCSE™, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Question	Answer	Marks
1(a)(i)	**Define the term 'break even' (line 24).**	**2**

Knowledge	Marks
A correct definition	2
A partial, vague or unfocused definition	1
No creditable content	0

Break-even can be defined in a number of ways:
- expenditure (costs) and income (revenue) are equal
- the level of sales/units where there is no profit or loss
- TR = TC

Exemplar	Marks	Rationale
When a business makes enough sales/revenue/income to cover all the costs.	2	Both elements covered
TC = TR	2	Both elements covered
Cost of sales is equal to sales revenue.	1	No understanding of total costs (CoS only covers direct costs)
The business makes no profit or loss	1	No understanding of the level of sales/units
The point at which a business stops making a loss and can start to make a profit		No understanding of the level of sales/units
Where the business has made enough sales to have broken even.	0	Tautological, no understanding

Question	Answer	Marks
1(a)(ii)	**Explain the term 'industrial markets' (line 5).** Award one mark for each point of explanation: 			**Rationale**	**Marks**
---	---	---	---
	C	Example or some other way of showing good understanding	1
	B	Understanding that it is not the end user, i.e. used to produce, not to end user etc. – anything to do with manufacturing and production	1
	A	Understanding of business to business	1 | **Content** When a business sells to another business, in contrast to selling to the end user. Industrial markets usually supply components for use in the production of products and services. **ARA** | **Exemplar**	**Marks**	**Rationale**
An industrial market is when a business sells components to another business who then sells it to another business or the end user	3	A clear understanding of all three elements
When a business sells to another business who is not the end user	2	An understanding of B2B and not an end user but no C mark
Selling business to business	1	Point A only
When you sell to someone who is not the end user	1	Point B only		3

Question	Answer	Marks
1(b)(i)	**Refer to Table 1. Calculate the new closing balance for Month 3 if the inventory storage costs for each month increase by 20%.**	**3**

Rationale	Marks
Correct answer with or without correct working or $ or 000s	3
Attempt at calculating Month 3 closing balance using correct figures	2
Formula or correct calculation of Inventory storage for any one month	1
No creditable content	0

Content

	Month 1 ($000s)	Month 2 ($000s)	Month 3 ($000s)
Cash Inflows			
Revenue	250	300	100
Total cash in	250	300	100
Cash Outflows			
Labour	150	150	150
Inventory storage	*12*	*6*	*60*
Expenses	5	5	5
Total cash out	*167*	*161*	*215*
Opening balance	20	*103*	*242*
Closing balance	*103*	*242*	*127*

Closing balance = Opening balance + Cash in – Cash out

Question	Answer	Marks
1(b)(i)	**Correct answer: $127 000 (accept 127 as the '000 is in the column header)**	

Exemplar	Mark	Rationale
127 (127,000)	3	Does not require the '000 of the $ sign
$50 \times 20\% = 60$; cash out for mth 3 = 215 closing balance = 124	2	Calculated one month, closing balance is incorrect as other two months ignored
12 Or 6 OR 60 (with working)	1	Calculated at least one correct new inventory
Closing balance = opening balance + cash in – cash	1	Correct formula

Question	Answer	Marks
1(b)(ii)	**Explain one benefit for WL of holding inventory**	3

Level	Knowledge and Application	Marks
2b (APP APP)	Explanation of a benefit of holding inventory in context	3
2a (APP)	Identification of a benefit of holding inventory in context	2
1 (K)	Identification of one benefit of holding inventory	1
0	No creditable content	0

Content

- To meet changing demand – seasonal demand
- To meet unexpected demand – primary business, trees take time to grow – unexpected demand can only be met by holding stock
- Respond to customer needs – Industrial market – importance of customer service, repeat customers etc.
- To be able to maintain a steady level of production

ARA

Identification of a benefit (1 mark)	Identification of a benefit in context (2 marks)	Explanation of a benefit in context (3 marks)
To meet changing demand	As demand is seasonal	So there is always stock ready for sale
To meet unexpected demand	As it takes time to cut down trees/for them to grow	So potential sales/revenue /profit are not lost
To have a steady rate of production	As it is a labour intensive business	To ensure their 100 employees have constant work

Question	Answer	Marks
1(c)	**Analyse <u>two</u> factors which may have affected the location of WL.**	8

Level	Knowledge and Application (4 marks)	Marks	Analysis (4 marks)	Marks
2b	Shows understanding of **two** (or more) factors which may have affected location of WL	4	Good analysis of **two** (or more) factors which may have affected location of WL	4
2a	Shows understanding of **one** factor which may have affected location of WL	3	Good analysis of **one** factor which may have affected location of WL	3
1b	Shows knowledge of **two** (or more) factors which may affect location	2	Limited analysis of **two** (or more) location factors	2
1a	Shows knowledge of **one** factor which may affect location	1	Limited analysis of **one** location factor	1
No creditable content				0

Content
- Geographic – Likely to need a relatively rural area to grow trees and process them. However, cannot be too rural as there is a need for a workforce (labour intensive).
- Demographic – WL is a labour intensive business – will need to be close enough to a populated area to provide the workforce. Alternatively, may need to offer accommodation.
- Legal – There are likely to be legal restrictions on how many and what type of trees can be felled. May have needed to locate in a country where the laws are more relaxed.
- Political – Environmental concerns/leanings of the political party in charge (e.g. Green party)
- Resources – Need to be near trees/raw materials for production
- Infrastructure – Need to be near a road and rail network for deliveries.
- Marketing – there may be types of wood/areas where certain trees grow which have a higher value than others.

Question	Answer	Marks
1(c)	**ARA**	

Example of a factor (K)	Examples of application/context (APP)	Examples of possible analysis (AN + DEV)
Location/ resources	As they need to be on/ near woodland	So they can have easy access (AN) to reduce overheads (DEV)
Infrastructure	Need t be close to rail/road network	To ensure easy access for deliveries (AN) to reduce delivery costs (DEV)
Demographic	As WL is a labour intensive business	Need to have a populated area to provide workforce (AN) to meet staffing levels (DEV)

Question	Answer	Marks
1(d)	**Recommend which of Mintzberg's management roles is likely to be the most important for the new Managing Director of WL. Justify your recommendation.**	11

Knowledge and Application (4 marks)	Marks	Analysis and Evaluation (7 marks)	Marks
		Justified recommendation based on argument in context	7
		Developed recommendation based on argument in context	6
		An evaluative statement/recommendation based on argument in context	5
Shows understanding of two or more uses of Mintzberg's management role(s) in context	4	Two or more arguments based on the importance of Mintzsberg's management role(s) in context	4
Shows understanding of one use of Mintzberg's management role(s) in context	3	One argument based on the importance of Mintzsberg's management role(s) in context	3
Shows knowledge of Mintzbergs management theory AND one management role OR two management roles	2	Limited analysis of two or more of Mintzberg's management role(s)	2
Shows knowledge of Mintzbergs management theory OR one management role	1	Limited analysis of Mintzberg's management theory/ one management role	1
No creditable content			0

Question	Answer	Marks
1(d)	**Content**	

Content

- **Interpersonal** – is related to anything a manager does which relates to relationships with staff (use examples from below)
- **Informational –** is related to providing information
- **Decisional** – is related to making decisions
- **Figurehead** – Robert has been the MD for 50 years and is well liked as the figurehead. New MD will have to replace him but may be unknown.
- **Leader/to lead** – Over 100 employees – labour intensive – important to lead well to maintain/improve efficiency
- **Liaison/ to liaise** – Workforce is demotivated, new MD will need to liaise with them
- **Monitor/to monitor/receiver** – Demand and profit is falling – therefore the need to monitor this to avoid any more loss is important.
- **Disseminator/to disseminate** – Over 100 workers – need to get information to them quickly and efficiently, especially with poor motivation
- **Spokesperson** – May need to represent the company to governments, environmentalist and the workforce
- **Entrepreneur** – demand/profits have been falling – need to diversify, find an environmental solution. Need to take risks and bring business back into profit.
- **Disturbance Handler/to handle disturbances** – demotivated work force, may start industrial action. Seasonal business – a poor winter may disturb both supply and demand.
- **Resource Allocator/to allocate resources** – Inventory management I important – storage costs – also trees cannot be easily replaced, or replaced I the short term – need to efficiently manage resources.
- **Negotiator/to negotiate** – May need to negotiate with customers (businesses) as well as the demotivated workforce.

ARA

An example of how an answer could develop and how it should be annotated.

K	APP	AN	DEV	EVAL
The new MD needs to be a figurehead	Robert was a good figurehead because he was well liked for over 50 years	A good figurehead will have the trust and loyalty of the workforce	To improve the morale of the demotivated workforce	The entrepreneur role is the most important as without new ideas the business will not have enough demand
Entrepreneur	to diversify as demand is falling	Which will find new ways to boost demand	To increase profits/ revenue	And this is the most immediate concern for WL However this depends upon the MD being able to have some interpersonal skills

Question	Answer	Marks
2(a)(i)	**Define the term 'objective' (line 8).**	**2**

Knowledge	Marks
A correct definition	2
A partial, vague or unfocused definition	1
No creditable content	0

The stated specific/measurable/achievable/realistic/time-based * target\s (1)
* only one needed

that the business wants to achieve (1) in the future

*** If the student shows understanding and a purpose of the objective then 2 marks ***

Exemplar	Mark	Rationale
A specific target a business wants to achieve	2	Both elements (minimum)
A specific business target	1	One element only
What a business wants to achieve in the future	1	One element (achieve and achievable are different)

Question	Answer	Marks
2(a)(ii)	**Explain the term 'secondary market research' (line 12).** Award one mark for each point of explanation: 		Rationale	Marks
C*	Example or some other way of showing good understanding	1
B	Understanding of secondary/that already exists	1
A	Understanding of collection of data	1 | * Has to include at least one of points A or B Secondary marketing research (book research) finds data that already exists. It has already been collected by someone else for another purpose. Sources of secondary data can come from competitors, census, sales data etc. **ARA** | Exemplar	Mark	Rationale
Collection of information/data that already exists e.g. off the internet	3	A and B plus a basic example
Data that already exists, such as sales data	2	B and C only no understanding of collection
Data that already exists	1	B only
Sales data/internet	0	No A or B		3

Question	Answer	Marks
2(b)(i)	**Refer to Table 2. Calculate the total value of the internet service market in country X.**	3

Rationale	Marks
Correct answer with or without correct working or $ or BN	3
Incorrect attempt using correct figures	2
Calculation of rest of market share (i.e. 22%) OR Implied knowledge of total market value (i.e. 31.2bn)	1
No creditable content	0

Formula

Individual market share values (added up) = total market value

They know and apply the formula through the use of figures but missed 22%

Content
Total value of industry = 100% of market share

PI = 31%
TB = 32%
WS = 15%
Therefore other = 22% (100%–78%)

78% of the market = $31.2bn

$$\frac{\$31.2bn}{78\%} = 0.4bn$$

$0.4bn \times 22\% = \$8.8bn$

$31.2bn + \$8.8bn = \$40bn$

Answer = $40bn (3)

Answer	Marks	Rationale
$40 bn/40bn/40 (no units or $)	3	Correct answer
0.4*22 = $8.8bn	2	One mistake (+ 31.2)
31.2/78% = 0.4bn	1	Incorrect attempt, two errors ($\times$ 22% + 31.2bn)
31.2bn (with working)	1	Implied knowledge of formula
31 + 32 + 15 = 22% (missing)	1	Worked out the missing percentage of mkt
0.4 bn	0	Wrong answer – no working

Question	Answer	Marks
2(b)(ii)	**Explain <u>one</u> suitable way, <u>other than market share</u>, to measure the size of PI.**	**3**

Level	Knowledge and Application	Marks
2b (APP +APP)	Explanation of one suitable way to measure the size of IP	3
2a (APP)	Identification of a suitable way to measure the size of IP	2
1a (K)	Identification of one way to measure the size of a business	1
0	No creditable content	0

*NB Profit is **not** an acceptable measure of business size*

Content
- By revenue – PI charges its customers monthly (and we can presume its competitors do too) so this would be a good way to measure the size of the business
- By number of customers – The more households who choose PI to provide their internet the bigger the business, since this is the main source of revenue
- By coverage – over 95% of the households in country X can access PI's services. The more coverage the bigger the business.
- By market capitalisation – PI is a public limited company so sells shares. Value of the shares (NOT the share price) can be used to suggest how big the business is.

ARA

Example of how responses should be marked

Identification of a way (1 mark)	Explanation of a way (2 marks)	Explanation of a way in context (3 marks)
By revenue	As PI charges customers monthly	So can compare against competitors
By customer numbers	As internet provider is their largest source of business	The bigger the number the larger the business
By coverage	Over 95% of households can access PI	The larger the number the larger the business
By market capitalisation	Which shows the value of the PLC	Which can be compared against competitors

Question	Answer	Marks
2(c)	**Analyse <u>one</u> above the line promotional method and <u>one</u> below the line promotional method which PI could use to gain new customers.**	8

Level	Knowledge and Application (4 marks)	Marks	Analysis (4 marks)	Marks
2b	Shows understanding of above **and** below the line promotion in context	4	Good analysis of one method of above **and** one method of below the line promotion in context	4
2a	Shows understanding of above **or** below the line promotion in context	3	Good analysis of one method of above **or** one method of below the line promotion in context	3
1b	Shows knowledge of above **and** below the line promotion	2	Limited analysis of one method of above **and** one method of below the line promotion	2
1a	Shows knowledge of above **or** below the line promotion	1	Limited analysis of one method of above **or** one method of below the line promotion	1
No creditable content				0

Content

Above the line methods:
- Advertising – market is the whole of country X so although advertising is expensive it may be suitable.
  - Television advertising
  - Radio advertising
  - Newspaper adverting
  - Social media advertising
  - ARA

Question	Answer	Marks
2(c)	**Below the line methods:** • Direct mail – relatively cheap way to target specific areas in country X. PI can target the areas where they have coverage, not waste money on areas without coverage. • Trade shows/roadshows – stalls at shows/markets can be used to 'sign up' customers – effective because the service can be personalised to customer needs – employees could be paid on commission keeping costs low • Leaflets – relatively cheap way to target specific areas in country X. PI can target the areas where they have coverage, not waste money on areas without coverage. • Point of sale information – could be placed near computer sales in appropriate shops • Social media – relatively cheap and targets people who like the internet. However, data suggests that households do not change provider, so if they already have the internet they are unlikely to swap. • Putting together a package of existing services **ARA**	

Example of a below the line method (K)	Examples of application/context (APP)	Examples of possible analysis (AN + DEV)
Direct mail	To the 95% of households they cover	So do not waste money in areas without coverage (AN) where they could not fulfill orders (DEV)
Trade shows	Can offer 3 free months service	As direct contact can tailor orders (AN) to meet customer needs (DEV)
Leaflets	Can highlight offers e.g. 3 months free service	Can stimulate interest (AN) and meet the requirements of new customers (DEV)
PoS info	Placed in computer sales shops	Allows for upselling (AN) which can attract new customers (DEV)

Example of an above the line method (K)	Examples of application/context (APP)	Examples of possible analysis (AN + DEV)
Advertising	Can advertise internet services to the whole country e.g. tv/radio	It might be expensive (AN)but as the service is generic the price per customer is low (DEV)
Social media	People who are interested in new internet deals may follow the company	But research suggests few people switch providers (AN) so uptake may be low (DEV)nope,

Question	Answer	Marks
2(d)	**Refer to Table 2.1 Evaluate the financial performance of PI compared to its competitors.**	11

Knowledge and Application (4 marks)	Marks	Analysis and Evaluation (7 marks)	Marks
		Justified evaluation based on arguments in context	7
		Developed evaluation based on arguments in context	6
		An evaluative statement based on arguments in context	5
Shows understanding of two or more measures of financial performance in context	4	Developed arguments based on two or more measures of financial performance in context	4
Shows understanding of one measure of financial performance in context	3	Developed argument based on one measure of financial performance in context	3
Shows knowledge of two or more measures of financial performance	2	Limited analysis of two measures of financial performance	2
Shows knowledge of one measure of financial performance	1	Limited analysis of one measure of financial performance	1
No creditable content			0

Note: Market share is not a correct answer as it is not a financial indicator/measure of financial performance

Rationale – Cannot evaluate financial performance based off only one indicator i.e. GPM only

Content
- GPM of PI is higher that the competitors – suggests that PI is efficient in terms of direct costs (economies of scale)
- NPM is lower than all of the other competitors – suggests that PI is inefficient in terms of indirect costs (diseconomies of scale)
- Working capital is negative – suggests that PI could struggle to pay short term debts. Does it have enough cash to pay for any promotion? Will IP be able to survive the short term? Will IP need a short-term source of finance?
- Current ratio shows that PI does not have enough CA to cover CL – Does it have enough cash to pay for any promotion? Will IP be able to survive the short term?
- However, TB seems to be holding too many CA – is this efficient?
- Web solutions has much better (twice) NPM than PI – how can this business be so much more efficient? Can PI copy any of its techniques?

Question	Answer	Marks

2(d)	**ARA**
	
	Routes to evaluation
	  • Which firm is best/worst
	  • Which set of financial data is most important
	  • The relative importance of financial performance compared to other areas – i.e. sales performance
	
	An example of how an answer could develop and how it should be annotated.	

K	APP	AN	DEV	EVAL
Gross profit margin	PI has the highest GPM	This means that they have low direct costs	Which could mean they have more efficient production	PI has a good margin which is essential for a profitable business However they may still face liquidation
Working capital	Is the only one of the three that has a negative working capital	Which may mean they can struggle to pay their debts	And not have enough money to spend on marketing	This depends on whether their creditors insist on immediate payment