
BUSINESS**9609/23**

Paper 2 Data Response

October/November 2018

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 October/November 2018 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

This document consists of **16** printed pages.

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)	<p data-bbox="316 248 874 282">Define the term ‘limited liability’ (line 2).</p> <table border="1" data-bbox="316 315 1334 577"> <thead> <tr> <th data-bbox="316 315 1182 380">Knowledge</th> <th data-bbox="1182 315 1334 380">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="316 380 1182 448">A correct definition</td> <td data-bbox="1182 380 1334 448">2</td> </tr> <tr> <td data-bbox="316 448 1182 515">A partial, vague or unfocused definition</td> <td data-bbox="1182 448 1334 515">1</td> </tr> <tr> <td data-bbox="316 515 1182 577">No creditable content</td> <td data-bbox="1182 515 1334 577">0</td> </tr> </tbody> </table> <p data-bbox="316 611 432 645">Content</p> <p data-bbox="316 645 1158 745">Any two of the following points: continuity, separate legal identity; shareholders; losses limited to investment/no personal risk.</p> <table border="1" data-bbox="316 779 1334 1664"> <thead> <tr> <th data-bbox="316 779 884 844">Exemplar</th> <th data-bbox="884 779 997 844">Marks</th> <th data-bbox="997 779 1334 844">Rationale</th> </tr> </thead> <tbody> <tr> <td data-bbox="316 844 884 976">A business whose shareholders/owners are not personally responsible for any business debts</td> <td data-bbox="884 844 997 976">2</td> <td data-bbox="997 844 1334 976">Both elements met</td> </tr> <tr> <td data-bbox="316 976 884 1108">A business whose owners personal assets will not be used to pay business debts</td> <td data-bbox="884 976 997 1108">2</td> <td data-bbox="997 976 1334 1108">Both elements met</td> </tr> <tr> <td data-bbox="316 1108 884 1207">A business whose owners have a separate legal identity to the business</td> <td data-bbox="884 1108 997 1207">2</td> <td data-bbox="997 1108 1334 1207">Both elements met</td> </tr> <tr> <td data-bbox="316 1207 884 1305">A shareholder can only lose the capital invested in the business</td> <td data-bbox="884 1207 997 1305">2</td> <td data-bbox="997 1207 1334 1305">Both elements met</td> </tr> <tr> <td data-bbox="316 1305 884 1404">Limited liability for business debts</td> <td data-bbox="884 1305 997 1404">2</td> <td data-bbox="997 1305 1334 1404">No reference to owners/ shareholders</td> </tr> <tr> <td data-bbox="316 1404 884 1503">When a business fails, the owners are not responsible for the debts</td> <td data-bbox="884 1404 997 1503">1</td> <td data-bbox="997 1404 1334 1503">Limited liability not explained clearly</td> </tr> <tr> <td data-bbox="316 1503 884 1601">A company is protected from financial loss</td> <td data-bbox="884 1503 997 1601">0</td> <td data-bbox="997 1503 1334 1601">Not a correct definition</td> </tr> <tr> <td data-bbox="316 1601 884 1664">No responsibility for business debts</td> <td data-bbox="884 1601 997 1664">0</td> <td data-bbox="997 1601 1334 1664">Too vague</td> </tr> </tbody> </table>	Knowledge	Marks	A correct definition	2	A partial, vague or unfocused definition	1	No creditable content	0	Exemplar	Marks	Rationale	A business whose shareholders/owners are not personally responsible for any business debts	2	Both elements met	A business whose owners personal assets will not be used to pay business debts	2	Both elements met	A business whose owners have a separate legal identity to the business	2	Both elements met	A shareholder can only lose the capital invested in the business	2	Both elements met	Limited liability for business debts	2	No reference to owners/ shareholders	When a business fails, the owners are not responsible for the debts	1	Limited liability not explained clearly	A company is protected from financial loss	0	Not a correct definition	No responsibility for business debts	0	Too vague	2
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1(a)(ii)	<p>Briefly explain the term ‘competitive pricing strategy’ (line 3).</p> <p>Award one mark for each point of explanation:</p> <table border="1" data-bbox="316 344 1331 607"> <thead> <tr> <th></th> <th>Knowledge</th> <th>Marks</th> </tr> </thead> <tbody> <tr> <td>C</td> <td>Example or some other way of showing good understanding</td> <td>1</td> </tr> <tr> <td>B</td> <td>Same price or lower or higher</td> <td>1</td> </tr> <tr> <td>A</td> <td>Price is based on what the competition charges</td> <td>1</td> </tr> </tbody> </table> <ul style="list-style-type: none"> C mark is dependent on A and B being present <p>Content Basing the price on what the competition is charging. This may be to set the same price as the competition or, in most cases, to set a lower price than the competition.</p> <table border="1" data-bbox="316 846 1331 1473"> <thead> <tr> <th>Exemplar</th> <th>Marks</th> <th>Rationale</th> </tr> </thead> <tbody> <tr> <td>Basing the selling price in relation to the prices of competitors; e.g. a lower price to attract customers</td> <td>3</td> <td>All elements met</td> </tr> <tr> <td>To identify competitors prices and then pricing lower to achieve more sales</td> <td>3</td> <td>All elements met</td> </tr> <tr> <td>To set your prices lower than competitor businesses</td> <td>2</td> <td>A and B</td> </tr> <tr> <td>To set your prices in relation to competitor businesses</td> <td>1</td> <td>No example or extended understanding</td> </tr> <tr> <td>A way of pricing your good to make it more attractive to purchase</td> <td>0</td> <td>Too vague</td> </tr> </tbody> </table>		Knowledge	Marks	C	Example or some other way of showing good understanding	1	B	Same price or lower or higher	1	A	Price is based on what the competition charges	1	Exemplar	Marks	Rationale	Basing the selling price in relation to the prices of competitors; e.g. a lower price to attract customers	3	All elements met	To identify competitors prices and then pricing lower to achieve more sales	3	All elements met	To set your prices lower than competitor businesses	2	A and B	To set your prices in relation to competitor businesses	1	No example or extended understanding	A way of pricing your good to make it more attractive to purchase	0	Too vague	3
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1(c)	Analyse <u>two</u> external sources of finance OT could use for the new taxi.				8	
	Level	Knowledge and Application (4 marks)	Marks	Analysis (4 marks)		Marks
	2b	Shows understanding of two external sources of finance in context	4	Developed analysis of two external sources of finance in context		4
	2a	Shows understanding of one external source of finance in context	3	Developed analysis of one external source of finance in context		3
	1b	Shows knowledge of two external sources of finance	2	Limited analysis of two external sources of finance		2
	1a	Shows knowledge of one external source of finance	1	Limited analysis of one external source of finance		1
	0	No creditable content				
	<p>Content</p> <ul style="list-style-type: none"> • New shareholders – OT is a private limited company (LTD/LLC) so can sell shares but not to the general public. Loss of control of business. • Bank loan – can be secured or not on the car • Leasing – good option for a car as lower maintenance costs, etc. • Debt factoring • Hire purchase • Grant/government finance <p>ARA</p> <p>Only award out of context answers (e.g. mortgage with L1 marks) Do not accept 'buy the new taxi' for app as in the question</p>					

Question	Answer				Marks
1(c)	Examples of external sources	Examples of application/ context	Examples of possible analysis	Examples of possible developed analysis	
	New shareholders	In addition to the two brothers	Less future profits	Means they have to work harder	
	Bank loan	For \$30 000	Fixed monthly repayments	Help with budgeting	
	Leasing	saves \$30 000 up front costs	Don't need up-front investment	No loss on control	
	HP	Don't need the full \$30 k up front	Don't need up-front investment	Own the car at the end of the period	

Question	Answer				Marks
1(d)	Using Table 2 and any other relevant information, recommend the market segment OT should target. Justify your recommendation.				11
Knowledge and Application (4 marks)		Marks	Analysis and Evaluation (7 marks)		Marks
			A justified recommendation based on a developed argument of the suitability of one market segment in Table 1		7
			A developed recommendation based on a developed argument of the suitability of one market segment in Table 1		6
			A basic recommendation based on a developed argument of the suitability of one market segment in Table 1		5
Shows understanding of two market segments in context		4	Argument of targeting two market segments in context		4
Shows understanding of one market segment in context		3	Argument of targeting one market segment in context		3
Knowledge of two or more market segments		2	Limited analysis of targeting two market segments*		2
Knowledge of one market segment		1	Limited analysis of targeting one market segment		1
No creditable content					0
Using Table 1 and any other relevant information, recommend the market segment OT should target. Justify your recommendation.					
* If only one segment has been identified, any repeat AN's should be marked as repeat so the counters show the correct analysis level					
Contents					
Shoppers:					
<ul style="list-style-type: none"> • Short journeys – low revenue • Long time period for journeys – could be higher number of customers • No brand loyalty – taxis will need to be conveniently placed • Taxis will need to be driving around to pick up customers – will increase variable costs 					

Question	Answer	Marks
1(d)	<p>Commuters</p> <ul style="list-style-type: none"> • Longer journey than shoppers– more revenue • Shorter journeys than night time • Two relatively short periods for travel – could be too busy to cover with 5 taxis (or 1 taxi if only new taxi is used) • High brand loyalty – quality of service will be important • Booked in advance – so can plan other work (airports etc..) around pre-booked journeys <p>Night-time</p> <ul style="list-style-type: none"> • Longest journeys – highest potential revenue • Anti-social hours (and possibly anti-social behaviour) • Longer period for travel than commuters • Some brand loyalty – could build up a good reputation and perhaps lead to telephone bookings 	

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2(a)(i)	<p>Define the term ‘unique selling point’ (line3).</p> <table border="1"> <thead> <tr> <th>Knowledge</th> <th>Marks</th> </tr> </thead> <tbody> <tr> <td>A correct definition</td> <td>2</td> </tr> <tr> <td>A partial, vague or unfocused definition</td> <td>1</td> </tr> <tr> <td>No creditable content</td> <td>0</td> </tr> </tbody> </table> <p>Content</p> <ul style="list-style-type: none"> • Different/differentiates about a business’s product/service • Factor or feature <table border="1"> <thead> <tr> <th>Exemplar</th> <th>Mark</th> <th>Rationale</th> </tr> </thead> <tbody> <tr> <td>A factor that differentiates a product from its competitors</td> <td>2</td> <td>Full definition</td> </tr> <tr> <td>A feature that differentiates a product service</td> <td>2</td> <td>Implied competition</td> </tr> <tr> <td>A feature that sets you apart from competitors</td> <td>2</td> <td>Full definition</td> </tr> <tr> <td>A special feature of your product</td> <td>1</td> <td>No relation to competition</td> </tr> </tbody> </table>	Knowledge	Marks	A correct definition	2	A partial, vague or unfocused definition	1	No creditable content	0	Exemplar	Mark	Rationale	A factor that differentiates a product from its competitors	2	Full definition	A feature that differentiates a product service	2	Implied competition	A feature that sets you apart from competitors	2	Full definition	A special feature of your product	1	No relation to competition	2
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2(b)(i)	<p data-bbox="316 248 1066 282">Using Table 1, calculate the total annual profit for FC.</p> <table border="1" data-bbox="316 320 1334 647"> <thead> <tr> <th data-bbox="316 320 1182 385">Rationale</th> <th data-bbox="1182 320 1334 385">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="316 385 1182 450">Correct answer with or without correct working</td> <td data-bbox="1182 385 1334 450">3</td> </tr> <tr> <td data-bbox="316 450 1182 515">Two correct percentage calculations</td> <td data-bbox="1182 450 1334 515">2</td> </tr> <tr> <td data-bbox="316 515 1182 580">Correct percentage calculation or formula</td> <td data-bbox="1182 515 1334 580">1</td> </tr> <tr> <td data-bbox="316 580 1182 647">No creditable content</td> <td data-bbox="1182 580 1334 647">0</td> </tr> </tbody> </table> <p data-bbox="316 685 432 714">Content</p> <p data-bbox="316 752 1034 786">Formula = TR – TC OR Profit margin × annual revenue</p> <p data-bbox="373 786 679 815">2% of \$50 000 = \$1000</p> <p data-bbox="373 815 663 846">1% of \$70 000 = \$700</p> <p data-bbox="373 846 734 878">15% of \$200 000 = \$30 000</p> <p data-bbox="373 920 651 952">Total profit = \$31 700</p> <table border="1" data-bbox="316 987 1334 1442"> <thead> <tr> <th data-bbox="316 987 1182 1052">Rationale</th> <th data-bbox="1182 987 1334 1052">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="316 1052 1182 1117">31 700 with or without working</td> <td data-bbox="1182 1052 1334 1117">3</td> </tr> <tr> <td data-bbox="316 1117 1182 1182">1000 + 700 + 30 000</td> <td data-bbox="1182 1117 1334 1182">2</td> </tr> <tr> <td data-bbox="316 1182 1182 1247">100 + 70 + 3000 = 3170 (one error – decimal place)</td> <td data-bbox="1182 1182 1334 1247">2</td> </tr> <tr> <td data-bbox="316 1247 1182 1312">OFR (formula wrong way round)</td> <td data-bbox="1182 1247 1334 1312">2</td> </tr> <tr> <td data-bbox="316 1312 1182 1377">18% of 320 000 = 57 600</td> <td data-bbox="1182 1312 1334 1377">1</td> </tr> <tr> <td data-bbox="316 1377 1182 1442">Revenue × profit margin</td> <td data-bbox="1182 1377 1334 1442">1</td> </tr> </tbody> </table>	Rationale	Marks	Correct answer with or without correct working	3	Two correct percentage calculations	2	Correct percentage calculation or formula	1	No creditable content	0	Rationale	Marks	31 700 with or without working	3	1000 + 700 + 30 000	2	100 + 70 + 3000 = 3170 (one error – decimal place)	2	OFR (formula wrong way round)	2	18% of 320 000 = 57 600	1	Revenue × profit margin	1	3
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2(b)(ii)	Explain <u>one</u> problem that Min might have in allocating costs.		3															
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<p>Content</p> <ul style="list-style-type: none"> • May make one aspect of the business seems unprofitable – however all interdependent • If a fish is bad/inedible – which part of the business should have the waste as a cost? • The restaurant and kitchen are part of the same building – how can costs be separated (utilities, rent etc.) • The kitchen staff could easily be seen as restaurant staff • Min makes the decision – what qualifies her as able to allocate the costs? <p>ARA</p>																		
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Question	Answer				Marks
2(c)	Analyse <u>two</u> appropriate ways that could be used to measure the size of FC.				8
	Level	Knowledge and Application (4 marks)	Marks	Analysis (4 marks)	Marks
	2b	Shows understanding of two ways to measure the size of FC	4	Developed analysis of two ways to measure the size of FC	4
	2a	Shows understanding of one way to measure the size of FC	3	Developed analysis of one way to measure the size of FC	3
	1b	Shows knowledge of two ways to measure the size of a business	2	Limited analysis of two ways to measure the size of a business	2
	1a	Shows knowledge of one way to measure the size of a business	1	Limited analysis of one way to measure the size of a business	1
	0	No creditable content			
<p><i>Note profit is NOT an acceptable measurement of size – 0 marks</i> <i>FC is a sole trader so share price is a non-contextual answer</i></p>					
<p>Content</p> <ul style="list-style-type: none"> • Revenue – whole business or individual part. What to compare it to? • Number of customers – only applicable to the restaurant • Number of employees • Capital employed – kitchen, restaurant, boat, etc. • Market share 					

Question	Answer				Marks
2(c)	Examples of ways	Examples of application/ context	Examples of possible analysis	Examples of possible developed analysis	
	Revenue	31 700	Can compare with other businesses	So that Min/potential investors can judge the success of the business	
	Number of customers	Who buy fish and chips	Will tell Min the size of her market	However is only applicable to the restaurant	
	Number of employees	E.g. 3 chefs	Shows Min how much growth year on year	However does not take into account productivity/ automation	
	Capital employed	Kitchen, boat and restaurant	Can show growth over years	Which may attract future investors/ allow bank loan	
	Market share	Met growth objective	Satisfied initial objectives	However the market may have shrunk	

Question	Answer				Marks
2(d)	Evaluate which stakeholders might be most affected by the change in FC's business objective from growth to profit maximisation.				11
Knowledge and Application (4 marks)		Marks	Analysis and Evaluation (7 marks)		Marks
			A justified judgement based on a developed argument of at least two stakeholders		7
			A developed judgement based on a developed argument of at least two stakeholders		6
			A basic judgement based on a developed argument of at least two stakeholders		5
Shows understanding of how two or more stakeholders in context		4	Arguments based on how two or more stakeholders may be affected by the change in business objectives in context		4
Shows understanding of how one stakeholder in context		3	Argument based on how one stakeholder may be affected by the change in business objectives in context		3
Shows knowledge of two stakeholders		2	Limited analysis of how two stakeholders may be affected by the change in business objectives		2
Shows knowledge of one stakeholder		1	Limited analysis of how one stakeholder may be affected by the change in business objectives		1
No creditable content				0	
Content					
<ul style="list-style-type: none"> • Min – as owner this may increase her personal income – better lifestyle, etc. • Employees – may see a reduction in costs as a way of increasing profits, so may lead to redundancies or cut in wages, longer hours, etc. • Customers – may be lower quality standards (costs cutting) and prices may increase • Government – increase in taxation revenue • Local community – increased trade, noise, etc. • Competitors – May see a chance to compete with lower prices, attracted by higher profit margins. 					
ARA					