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**BUSINESS****9609/02**

Paper 2 Data Response

**For Examination from 2016**

SPECIMEN MARK SCHEME

**1 hours 30 minutes**

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**MAXIMUM MARK: 60**

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This document consists of 7 printed pages and 1 blank page.

**1 Charlie's Chocolates (CC)**

- (a) (i) Define the term 'public limited company'. [2]**

Level	Knowledge and Application	Marks
2	Good definition	2
1	Partial definition	1
0	No creditable content	0

Answers could include:

An incorporated business that is owned by public shareholders who have limited liability. It is able to sell shares to the general public and trade them on stock markets. Often large organisations. Expensive to set up.

- (ii) Briefly explain the term 'marketing'. [3]**

Level	Knowledge and Application	Marks
2	Good explanation	2–3
1	Partial explanation/understanding	1
0	No creditable content	0

Answers could include:

A function within a business that identifies and satisfies customer needs to assist the business in making a profit. Marketing involves the main elements of the marketing mix (usually) price, product, place, promotion – accept variants. Reference to 4Cs also acceptable. 'Getting the right product to the right customer at the right price.'

- (b) (i) Refer to Table 1. Calculate the gross profit margin of CC. [3]**

$$\text{GPM} = \text{GP}/\text{revenue} \times 100$$

$$= \$2850/7000 \times 100 = 40.7\% \text{ (accept rounding)}$$

Correct answer (3 marks)  
 Right method but mistakes, or no % etc. (2 marks)  
 Attempt (e.g. formula or identifies data) (1 mark)

- (ii) Last year CC's gross profit margin was 63%. Using your answer to (b)(i), comment on the trend in the gross profit margin. [3]

Level	Knowledge and Application	Marks
2	Shows understanding of trend in GPM in context of the business	2–3
1	Shows understanding of GPM, simple statements	1
0	No creditable content	0

Candidates must use answer from (b)(i) for 3 marks.

Answers could include:

- Decreased from 63% to 40.7% (own figure rule).
- Likely to be due to a 10% decrease in sales due to ethical shift in customers' tastes.
- Accept reasonable alternative.

- (c) Analyse the usefulness of the financial accounts to two of CC's stakeholders. [8]

Level	Knowledge and Application 4 marks	Analysis 4 marks
2	3–4 marks Shows understanding of financial accounts/usefulness in context of the business	3–4 marks Good analysis of usefulness in context
1	1–2 marks Shows understanding of financial accounts	1–2 marks Limited analysis of usefulness
0	No creditable content	

For maximum marks candidates need to look at two stakeholders and positives/negatives.

Limited analysis in context: Marks limited to  $4 + 2 = 6$

Analysis of only one stakeholder in context: Marks limited to  $3 + 3 = 6$

Answers could include:

- Director – look for trends, ratios, identify problems, for example, fall in GPM.
- Consumer groups – look at profits being made and using them to highlight their cause, that is the profit of over \$1m on top of being unethical.
- Shareholders – will be keen to see the profit after tax that is used to pay their dividends – they want a good return.
- Employees/unions – may use information to help with their wage demands.
- But historical, window dressing, may reduce usefulness.

- (d) Discuss the factors that CC should consider in making a decision on whether or not to become a more ethical business. [11]

Level	Knowledge and Application 4 marks	Analysis and Evaluation 7 marks
2	3–4 marks Shows understanding of ethics/factors in context of the business	3–7 marks Good analysis and effective evaluation of factors in context
1	1 mark Shows knowledge of ethics	1–2 marks Limited analysis and no evaluation of factors involved in becoming more ethical
0	No creditable content	

One factor with evaluation: Marks limited to  $3 + 3 = 6$

Limited analysis in context: Maximum  $4 + 2 = 6$  marks

No effective evaluation: Marks limited to  $4 + 4$

Answers could include:

- Decreasing sales last year of 20% and a GPM that has drastically fallen – main reason according to Alan is one of image. Therefore need to change.
- How easily can the business switch to more ethical production (such as?). There are clear references to recruitment issues, can they access workers?
- How easy would change be?
- How can CC market a new image? Will it seem cynical?
- How long will it take to change ingredients? Will it affect taste? Can they be sourced easily?
- What are the costs of becoming ethical?
- What are the consequences of staying as it is?

**Evaluation** is likely to come from a *justified* view on what are the most important factor(s). Evaluation could also come from a recommendation for change.

## 2 George's Gym (GG)

- (a) (i) Define the term 'niche market'. [2]

Level	Knowledge and Application	Marks
2	Good definition	2
1	Partial definition	1
0	No creditable content	0

Answers could include:

This is a specialised sector of the market desiring specific products/services. Tends to be a very specific target market such as the wealthy. Examples help, e.g. luxury cars.

- (ii) Briefly explain the term 'contract of employment'. [3]

Level	Knowledge and Application	Marks
2	Good explanation	2–3
1	Partial explanation/understanding	1
0	No creditable content	0

Answers could include:

Legal document drawn up by an employer and issued to an employee. Typically contains important information about the requirements of the job/employee as well as employer's responsibility. Usually contains hours of work, pay details, grievance procedures (note that this may vary from country to country).

- (b) (i) Calculate the value of  $X$  in Table 3. [2]

$$\text{Annual Revenue} = \$60 \times 300 \times 12 = \$216\,000$$

Correct answer (2 marks)  
Attempt by identifying appropriate data or formula (1 mark)

- (ii) Explain how George might use the concept of price elasticity of demand in deciding whether or not to increase GG's membership fee. [4]

Level	Knowledge and Application	Marks
2	Shows understanding of elasticity in the context of the business	3–4
1	Shows understanding of elasticity – simple statements	1–2
0	No creditable content	0

Answers could include:

- Is demand relatively inelastic? Price increases may be possible – price increase would increase revenues (but not necessarily profits).
- Is demand relatively elastic? Price reductions may increase revenues.
- Loyalty of customers may affect elasticity.
- The case makes clear that a new competitor gym is opening. Will this impact on elasticity?
- Will changing product affect elasticity – if new pool may reduce elasticity.
- Can only use elasticity if other factors are considered.
- Useful concept, limited practical value as other factors important.

- (c) Analyse the disadvantages to GG of a high labour turnover of personal trainers. [8]

Level	Knowledge and Application 4 marks	Analysis 4 marks
2	3–4 marks Shows understanding of labour turnover in the context of the business	3–4 marks Good analysis in context
1	1–2 marks Shows understanding of labour turnover	1–2 marks Limited analysis of disadvantages of high labour turnover
0	No rewardable response	

Analysis will come from developing the issues

Limited analysis in context: Marks limited to  $4 + 2 = 6$

Analysis of only **one** disadvantage in context: Marks limited to  $3 + 3 = 6$

Answers could include:

- Failure of staff to build relationships with clients – could damage GG's reputation, especially with a new competitor arriving soon.
- Costs of recruitment, selection, training can increase – GG is a sole trader so limited finance.
- GG is looking to expand so stability is important.
- Customers are signing up for additional keep fit classes – won't work if not enough staff.

(d) Discuss sources of finance that GG might use to pay for the swimming pool. [11]

Level	Knowledge and Application 4 marks	Analysis and Evaluation 7 marks
2	3–4 marks Shows understanding of sources of finance in the context of the business	3–7 marks Good analysis and effective evaluation of sources in context
1	1–2 marks Shows understanding of source of finance	1–2 marks Limited analysis and no evaluation of source
0	No rewardable response	

Limited analysis in context: Marks limited to  $4 + 2 = 6$

Analysis of only 1 source in context: Marks limited to  $3 + 3 = 6$

Lack of effective evaluation: Limits marks to  $4 + 4 = 8$

Answers may include:

- Context
  - Sole trader so owner's sources limited unless takes on a partner or incorporates.
  - Rising sales could be positive sign to an investor – profit has quadrupled. Retained profits?
  - But is this growth assured for future, especially with new competitor.
  - George has assets that can be used as security.
- Sources of finance
  - Loans/mortgages (long-term commitment, what are interest rates? Current financial situation?). He has no mortgage at present so may seem attractive without too much risk. (Note: Gearing is not an AS topic.)
  - Private investor/partner. How would George react sharing profits, decision making, authority? What share of profits would they want? How much could they put in?
  - Grants – any available?
  - Short term unsuitable (overdrafts, debt factoring, changing credit terms).
  - Sell assets? Any suitable – no point selling assets that are not used.
  - Is incorporation a possibility? If not, can't sell shares.

**Evaluation** is likely to come from justifying which source(s) are the most important/best.

