MARK SCHEME for the May/June 2009 question paper

for the guidance of teachers

9707 BUSINESS STUDIES

9707/01   Paper 1 (Short Answer/Essay), maximum raw mark 40

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1   (a) The statement could include the following:
        <u>Skimming</u> is the setting of a high price for a new product in order to maximise profits in the short term. <u>Penetration</u> is the setting of a low price and smaller profit margins in order to increase/gain market share.

        A statement that indicates some understanding.   [1]
        A statement that indicates full understanding.   [2]

    (b) Explanations could include: company is in a position to exploit a skimming pricing strategy e.g. product has scarcity value, originality/innovation, in a temporary monopoly position, absence of competition initially i.e. the conditions exist in a market to pursue a skimming strategy in pursuit of profit maximisation.

        Limited attempt to explain the circumstances favourable for the pursuit of a skimming pricing strategy.   [1]
        Sound explanation of business choice of a skimming pricing strategy.   [2]
        Developed explanation of a business choice of a skimming pricing strategy.   [3]

2   (a) <u>Definitions</u> such as spending on business resources that can be used repeatedly over a period of time – the purchase of fixed assets – new factory, machinery, vehicles etc.

        A definition that indicates some understanding.   [1]
        A definition that demonstrates full understanding.   [2]

    (b) <u>Sources</u> such as share capital, long term loan capital (debentures, mortgages, venture capital), leasing, bank loans (long term), hire purchase, sell fixes assets.

        ONE relevant source described or two identified.   [1]
        TWO relevant sources described or one source well described.   [2]
        3 marks awarded if the description of the TWO relevant sources is well described.   [3]

3   <u>Advantages</u> such as create jobs, improve living standards, develop infrastructure, introduce new technologies, new products/services, act as a catalyst for local/regional regeneration and national economic growth.

    <u>Disadvantages</u> such as exploit local low cost labour, force local companies out of business, send profits out of the country, cause local environmental problems/pollution, fail to invest in the local economy, ignore and contravene local cultural traditions.

    Some understanding/definition of a multi-national company only   or
    A statement of one advantage   or
    A statement of one disadvantage.   [1]
    Explanation of ONE advantage.   [2]
    Explanation of ONE disadvantage.   [2]
    Developed explanation of ONE advantage and ONE disadvantage.   [5]

4 (a) <u>Definitions</u> such as 'the way we do things around here' – a set of values and shared beliefs of a corporate/business/organisation/community – the glue that binds the organisation.

A definition that indicates some understanding. [1]
A definition that indicates full understanding. [2]

(b) Factors such as origin and development, influence of founders, impact of managers/leaders, impact of the 'type' of business, large, small, nature of activity e.g. manufacturing, 'engineer culture', service/customer-led culture, role, task, power, person, entrepreneurial v bureaucratic.

Identification of a relevant factor with limited explanation. [1]
Explanation of a relevant factor. [2]
Good explanation of a relevant factor. [3]

5 (a) Explanation could include an initial definition or statement of <u>effective stock control</u> – stocks not too high or too low – avoid unnecessary holding costs, storage costs, insurance costs, – theft – deterioration etc. – or opportunity costs of low stocks – losing customers – reference to <u>importance</u> – implications of poor stock control – competition – business at risk – low profits etc. – retail context – empty shelves – out of date fashions.

Sound analysis of effectiveness and/or importance in the context of retailing. [7–8]
Analysis of stock control issues with possible reference to effectiveness and importance. [5–6]
Some understanding of stock control issues. [3–4]
Limited understanding of stock control. [1–2]

(b) Discussion could define JIT and review the conditions for JIT to work.
<u>Advantages</u> will be outlined such as low storage costs, low waste, cost control, liquidity improves, quick response to market needs etc.
<u>Disadvantages</u> – reliance on suppliers, order processing, costs increase, delivery problem possibilities – requires flexible working etc – application to retail context.

Evaluative comment on the challenge of managing a JIT system with reference to retailing.
[11–12]
Analysis of advantages and disadvantages of JIT in context. [8–10]
Shows good understanding of advantages and disadvantages of JIT. [3–7]
Shows some understanding of JIT. [1–2]

6 Discussion should focus on TWO motivation theories (theorists) and 1) <u>outline</u> the theory e.g. <u>scientific management</u> – stick and carrot – money – (Taylor) – <u>HR</u> – team work (Mayo) – <u>Hierarchy of needs</u> (Maslow) – Theory X and Y (McGregor) – two factor theory (Herzberg) etc.
2) discuss <u>usefulness</u> of TWO theories – application to employee and organisational needs.

Evaluative comment on the factors/context affecting potential impact of motivation theories on worker motivation. [17–20]
Analysis of two motivation theories with an explicit focus on value/usefulness re worker motivation. [11–16]
Some descriptive comment on motivation theories with limited focus on usefulness. [5–10]
Limited awareness and discussion of motivation theory(s). [1–4]

7 (a) Discussion could initially <u>define</u> a new business and give an example – <u>problems</u> identified and discussed could include the following: <u>financial</u> – start-up costs – cash flow – capital funding; <u>marketing</u> – establishing a position, decisions on advertising – promotion; <u>production</u> – relations with suppliers – stock control; <u>pricing</u> – strategy – competitors break-even – profit etc. There are endless possibilities dependent on the context and type of new start-up business chosen. Focus <u>must be on some sort of new business in a first year of trading</u>.

Sound analysis of specific identified problems facing a new business in the first year of trading. [7–8]

Analysis of early (first year) new business issues/problems. [5–6]

Some understanding of early (first year) new business issues/problems. [3–4]

Limited awareness of new business problems. [1–2]

(b) Explanation could initially <u>define</u> and discuss market research – primary and secondary. Candidates may assume the context of **7 (a)** – first year trading or adopt an alternative time-frame. Examples of the <u>use</u> of <u>market research</u> in <u>reducing problems</u> of a new start-up business might include reference to issues such as securing information on the product/service provided – competitor products – possible pricing strategies – strength of competitors – source of competition – alternative promotion opportunities – size of market – how segmented – customer behaviour etc – reduce uncertainty risk – provide quality data/information.

Evaluative comment e.g. comment on the significance of market research in reducing problems of a new start-up business. [11–12]

Analysis of market research activities/information that might reduce problems facing a new start-up business. [8–10]

Shows understanding of market research activities relevant to problems facing a new start-up business. [3–7]

Shows some understanding of market research. [1–2]