

MARK SCHEME for the October/November 2007 question paper

9707 BUSINESS STUDIES

9707/02

Paper 2 (Data Response), maximum raw mark 60

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.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes must be read in conjunction with the question papers and the report on the examination.

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CIE is publishing the mark schemes for the October/November 2007 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

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1 Zeta Oil

(a) Explain the following terms:

(i) Stock Exchange [3]

Content: A market in which stocks and shares in publicly quoted companies are traded. Often done electronically. Used for raising finance when new/additional shares are sold, otherwise trades are between investors.

Level 2: Good understanding [2–3 marks]
Level 1: Partial understanding [1 mark]

(ii) Average rate of return [3]

Content: Measured by Net return per year/Amount invested X 100. Shows how the return relates to the investment, the higher the better. Can be compared with the current interest rate.

Level 2: Good understanding [2–3 marks]
Level 1: Partial understanding [1 mark]

(b) Explain the arguments that the workforce of ZO might use to justify their demand for a 10% increase in wages. [6]

The company making very large profits therefore they can afford it and workers would want to share in the benefits.

Their own cost of living would have gone up with higher petrol, travel and inflation.

ARA

Knowledge and application	Analysis and evaluation
Shows understanding of the factors in context [3–4 marks]	
Show understanding of factors influencing wages [1–2 marks]	Analyses the factors [1–2 marks]

(c) Analyse the main uses for ZO's accounts for stakeholders other than ZO's workers. [8]

ZO will use them for management decisions, keeping investors informed

The government will use them for calculating taxes due and developing tax policies. There will be a legal requirement to keep accounts.

Investors will use them to review their investment decisions.

ARA

Context will be shown by using the factors identified in the case.

Analysis will be shown by discussing the factors

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of users of accounts/stakeholders in context [3–4 marks]	Level 2: Good analysis of the uses of accounts [3–4 marks]
Level 1: Shows understanding of users of accounts/stakeholders [1–2 marks]	Level 1: Some analysis of the uses of accounts [1–2 marks]

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(d) Discuss how the Government might affect the activities of ZO. [10]

Governments have to consider the needs of consumers, the environment and their own spending needs, not only the needs of the oil industry.

They may regulate the industry's activities in terms of the environment, safety and to protect consumers.

They may tax to cover spending programmes.

In some countries they may regulate prices.

They may act to stop monopolies or exploitation.

Most governments encourage exploration and development, and some governments are requiring oil companies to meet environmental targets.

ARA

Context comes from using the data

Analysis comes from discussing the ways in which governments constrain and/or enable

Evaluation comes from identifying key effects on the industry

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of the role of government in context of the business/industry [3–4 marks]	Level 2: Evaluation of the impact the government has on Zeta Oil or good analysis in context [3–6 marks]
Level 1: Shows understanding of the role of government [1–2 marks]	Level 1: Analysis of the role of government [1–2 marks]

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2 Excellent Training

(a) Explain the terms:

(i) partnership [3]

Content: A business owned by two or more people usually with unlimited liability. Suited to professional businesses (solicitors, accountants etc) where partners can specialise in areas relating to their skills. Good for range of skills, difficult to raise finance although new partners can be bought in.

Level 2: Good understanding [2–3 marks]
Level 1: Partial understanding [1 mark]

(ii) variable costs [3]

Content: Costs which vary with output, for example: materials, piece rate labour etc.

Level 2: Good understanding [2–3 marks]
Level 1: Partial understanding [1 mark]

(b) (i) Using Table 1, calculate how many people ET need on each course to break even. [3]

$$\begin{aligned} \text{BE} &= \text{FC}/(\text{unit price}-\text{variable cost}) \\ &= 300/(50-20) = 10 \text{ people} \end{aligned}$$

Correct answer 3 marks
Correct method but wrong answer, or units wrong 2 marks
Identifying correct data/ attempt 1 mark

(ii) Calculate the profit if 20 people attend a course. [3]

There are 10 more than break even so profit = 10 x unit contribution = 10 x 30 = \$300.
OFR applies from (i).

Correct answer 3 marks
Correct method but wrong answer, or units wrong 2 marks
Identifying correct data/ attempt 1 mark

(iii) Briefly comment on the usefulness to the management of ET of the result in b(i) and (ii). [2]

Could be used for exploring other prices and their effects on profits. ARA

Use(s) identified in context [2 marks]
Some understanding or answer not in context [1 mark]

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- (c) Discuss the factors that ET will need to consider when marketing their courses to schools and colleges. [10]**

Content:

Schools and colleges will have very tight budgets so need to think very carefully about prices.

What is best way to promote? Not final consumer so personal selling? Writing to head teachers? Advertising in education magazines?

Individually designed courses could be developed as a selling point. Important that they continue this.

What marketing budget can ET afford?

ET will be competing against larger training organisation – therefore the “personal” touch may be an important part of their product.

May need to do market research.

ARA

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of marketing in context of the business [3–4 marks]	Level 2: Evaluation of marketing methods or good analysis in context [3–6 marks]
Level 1: Shows understanding of marketing [1–2 marks]	Level 1: Analysis of marketing factors in context or general analysis of issues [1–2 marks]

- (d) Identify and briefly analyse how ET might recruit suitable trainers. [6]**

Will have to thoroughly research the market for trainers particularly in relation to wages and availability

Since training teachers, then it might be a good idea to target people from the teaching profession.

Set wages at levels the firm can afford, but that should be attractive to candidates.

Emphasise the benefits of working for a small organisation.

Use contacts of existing trainers

ARA

Evaluation likely to come from recognising the most important methods or developing a strategy

Knowledge and Application	Analysis and Evaluation
Level 2: Shows understanding of recruiting in the context of the business [3–4 marks]	
Level 1: Shows understanding of recruiting [1–2 marks]	Level 1: Limited analysis of recruitment [1–2 marks]