



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education
Advanced Subsidiary Level and Advanced Level

BUSINESS STUDIES

9707/02

Paper 2 Data Response

For Examination from 2011

SPECIMEN PAPER

1 hour 30 minutes

Additional Materials: Answer Booklet/Paper

READ THESE INSTRUCTIONS FIRST

If you have been given an Answer Booklet, follow the instructions on the front cover of the Booklet.

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **all** questions.

The businesses described in this question paper are entirely fictitious.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **5** printed pages and **1** blank page.



Tech New

Tech New (TN) is a small private limited company that assembles and sells computers to homes, schools and small businesses. TN competes on price with larger multinational businesses. TN has retail outlets in several major towns that sell components as well as computers.

Recently TN's sales of computers have fallen rapidly. This was mainly due to aggressive marketing by competitors. However Tariq, the Managing Director, noticed that there was a big increase in the sales of components to customers for improving their own computers. 5

The following is an extract from TN's accounts:

Table 1: Extract from accounts (\$000)

| | 2005 | 2006 | % Change | 10 |
|---------------------|-------------|-------------|-----------------|----|
| Sales of computers | 80 | 40 | -50 | |
| Sales of components | 50 | 90 | | |
| Rent on shops | 20 | 50 | +150 | |
| Stocks | 5 | 10 | +100 | |

Tariq is thinking of changing the product mix by focusing more on the sale of components. He is also investigating the possibility of selling these products over the Internet rather than in TN's shops. Tariq realizes that these changes will require a different approach to marketing. 15

Some computer components become out-of-date very quickly due to rapid changes in technology. This can cause stock control problems for TN. If TN buys components in bulk, they receive large discounts from suppliers. The storage costs for all of their components is low. Tariq has the latest stock information for TN: 20

Table 2: Stocks

| Component | Weeks before new model becomes available | Stocks (weeks worth of sales) | Demand | Supplier | 25 |
|------------------|---|--------------------------------------|---------------|-----------------|----|
| Memory upgrades | 16 | 24 | Rising | Reliable | |
| Hard drives | 52 | 1 | Steady | Unreliable | |
| Keyboards/mice | 104 | 12 | Unpredictable | Reliable | 30 |

- (a) Explain the terms:
- (i) private limited company (line 1) [3]
 - (ii) multinational (line 2). [3]
- (b) (i) Calculate the percentage change in sales of components between 2005 and 2006. [2]
- (ii) How does your answer to (b) (i) and other information in Table 1 support Tariq's idea of focusing more on the sale of components? [6]
- (c) Discuss the marketing and other factors that Tariq should consider before deciding whether to sell components on the Internet. [10]
- (d) Using the information in Table 2, explain one method of stock control that TN could use to improve its management of stock. [6]

Paperclips

Business Studies students at North College have decided to set up their own shop called Paperclips (PC). The Headteacher has agreed to their proposal provided that half of the profits from PC go to charity. They can raise finance through selling 'shares' - not the real thing, of course - to staff and students. Under the guidance of their teacher, they will sell pens, books and other equipment needed by students and staff at the College. 5

The Business Studies students will not pay themselves a wage, but they will all be 'shareholders' and, therefore, stakeholders. The students have elected a Board of Directors who will manage the business.

Dom will be responsible for finance. He has negotiated one month's credit for purchases from the wholesaler. Dom has presented to the Board the following cash flow statement 10 and projected Profit and Loss for the next four months:

Table 1: Financial estimates for the next 4 months (\$)

| Cash Flow | | | | |
|-----------------|-----|-------|-------|-----|
| Month | 1 | 2 | 3 | 4 |
| Opening balance | 50 | 0 | (200) | ? |
| Sales | 50 | 400 | 700 | ? |
| Rent | 100 | 100 | 100 | 100 |
| Purchases | 0 | 500 | 200 | 300 |
| Closing Balance | 0 | (200) | 200 | ? |

| Profit & Loss | |
|---------------|------|
| Sales | 1950 |
| Purchases | 1000 |
| Rent | 400 |
| Profit | 550 |

15

Ling will be responsible for marketing. Market research has helped her decide on the product range. Her main concerns are pricing and promotion decisions. She has collected the following information on prices for some of the main products: 20

Table 2: Typical prices (\$)

| | Price PC pays at wholesaler | Price charged at supermarket | Price charged at a local shop |
|----------------|-----------------------------|------------------------------|-------------------------------|
| Pen | 0.50 | 0.70 | 0.80 |
| Pencil | 0.10 | 0.12 | 0.15 |
| Recordable CDs | 1.00 | 0.90 | 1.20 |
| Textbook | 10.00 | Not available | 20.00 |

25

- (a) Explain the terms:
- (i) Stakeholders (line 7), [3]
 - (ii) Market research (line 20). [3]
- (b) (i) If sales in month 4 are \$800, calculate the closing balance in Table 1 for that month. [2]
- (ii) State **two** reasons why the directors of PC might have difficulty raising the \$200 cash shortfall needed in month 2. [2]
- (iii) Explain the difference between cash and profit. [4]
- (c) Recommend and justify a marketing mix for PC. [10]
- (d) Briefly analyse the likely aims of PC as a social enterprise. [6]

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