

CAMBRIDGE INTERNATIONAL EXAMINATIONS

Pre-U Certificate

MARK SCHEME for the May/June 2013 series

9771 BUSINESS AND MANAGEMENT

9771/01

Paper 1 (Business Concepts), maximum raw mark 100

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 will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the May/June 2013 series for most IGCSE, Pre-U, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.

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Section 1

<i>Question Number</i>	<i>Key</i>	<i>Question Number</i>	<i>Key</i>
1	A	11	B
2	D	12	D
3	B	13	D
4	A	14	C
5	B	15	A
6	C	16	D
7	C	17	B
8	C	18	A
9	A	19	B
10	D	20	C

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Section 2

21 (a) (i) Using data in Table A, calculate the payback period for location X. [2]
 3 years (2)
 Some valid attempt (1)

(ii) Using data in Table A, calculate the Accounting/Average Rate of Return (ARR) for location X. [2]
 ARR% = Average annual profit/capital cost × 100 (1)
 Some valid attempt (1)
 $\frac{£0.88m}{£2m} \times 100$
 44% (2)

(b) Evaluate the usefulness of your results from (a) and other data in Table A to AF's directors when deciding between the two locations for a new shop. [6]

	App 1 marks	An 2 marks	E 3 marks
Level 2		2 marks Relevant reasoning or theory used to explain answer	3 marks Good judgement shown including overall conclusion/judgement
Level 1	1 mark Some application to points of case	1 mark Limited reasoning shown	2–1 marks Some evaluation or overall conclusion/judgement

Answers could include:

Location X has higher ARR – higher expected rate of profit on initial investment.
 Location Y has quicker payback – reduces risk and increases liquidity (slightly) from this option.
 BUT NPV might have been more useful as it takes time value of money into account – would resolve the issues of which is better? Higher ARR or quicker payback?
 So Table A and results are useful but other information needed including qualitative information.
 More details about the two sites – including qualitative information. Which is more suitable for the new range of clothing? Is the difference in capital cost a problem for AF if it opts for location X?
 Candidate might give a supported conclusion as to the “better” location based on data given.

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Questions 22, 23 and 24

	K 1 mark	App 3 marks	An 3 marks	E 3 marks
Level 2		3 marks Points made well applied to case	3 marks Relevant reasoning or theory used to explain answer	3 marks Good judgement shown plus overall conclusion/judgement
Level 1	1 mark Some knowledge shown	2–1 marks Some application to points of case	2–1 marks Limited reasoning shown	2–1 marks Limited evaluation or judgement

22 Evaluate the extent to which ‘a comprehensive set of objectives and targets at each level of the organisation’ would improve employee performance within AF. [10]

Answers could include:

Definition of objectives/explanation of how they might operate in this case.

Each department/store/team/individual given meaningful and measurable targets – preferably agreed with people involved.

Aids appraisal of staff; gives focus to each section of the business; aids planning and coordination especially in a business with 200 shops; encourages involvement in target setting and review of performance; should help to improve motivation. Use of appropriate motivation theorists.

BUT: takes time to organise; positive participation in setting objectives not always easy especially (case) with part-time staff and poor communication/unwilling management; qualitative factors (e.g. customer service?) just as important; must be truly verifiable objectives.

Other factors seem to be significant in **this case** too:

Part-time staff – workers may prefer full time.

Poorly qualified – perhaps training is more important than giving them targets?

Low wages – need a commission based pay system in this case, perhaps?

Overall judgement of a comprehensive set of objectives in this case needed for L2 evaluation e.g. it might only be effective if the other possible causes of poor employee performance are addressed first.

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23 Recommend an appropriate marketing strategy for the new Top Look range of clothing. [10]

Answers could include:

Definition of marketing strategy:

Long term plan of action to market a product including objectives, budget, time frame, marketing mix.

Application to **this case**:

High skimming prices? Use evidence from case. These high prices may help to create “exclusive” and quality image.

Place – is selling through existing stores suitable? New style of dedicated store for Top Look? Would cost of these be justified?

Promotion – surely the Marketing Director is wrong – but how should such clothing be promoted and what is the likely cost of this? Is the budget likely to be sufficient?

Product quality just as important as design – AF do not seem to put high quality as a priority.

Overall evaluation: Which is the most important element of a marketing strategy in this case? Needs an integrated and cohesive strategy to present to consumers to convince them that this really is a different product offering – the quotes from managers are not encouraging in this regard.

24 Discuss the possible impact on AF of recent changes in the legal environment. [10]

Answers could include:

Explanation of legal constraints – but they can create opportunities too.

May raise costs – explain in terms of one/some of the examples given or other examples suggested by candidates.

May restrict flexibility e.g. agency staff/part-time working.

BUT all firms affected in same way.

May increase staff motivation – especially in AF which seems to offer low wages and rely heavily on part-time contracts.

May lead to lower labour turnover – reducing costs for AF.

May give consumers more confidence to shop and buy – this could be important for AF’s new Top Look range.

Overall impact of them may depend on whether management look upon these changes as just a burden and a cost or whether there might be opportunities too.

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Section 3

	K 6 marks AO1	App 10 marks AO2	An 12 marks AO3	E 12 marks AO4
Level 3		10–7 marks Extensive application of most points to selected businesses	12–8 marks Extensive reasoning and use of theory to explain arguments	12–8 marks Extensive judgement in answer and conclusion
Level 2	6–4 marks Good knowledge shown	6–4 marks Points well applied to selected businesses	7–4 marks Good reasoning/use of theory to explain answer	7–4 marks Some judgement shown in answer and conclusion or good judgement in answer or conclusion
Level 1	3–1 marks Some knowledge shown	3–1 marks Some application of points	3–1 marks Some reasoning /use of theory to explain answer	3–1 marks Some judgement shown in answer or conclusion

25 'The aim of marketing is to know and understand the customer so well that the product or service fits him/her and it sells itself.' Peter F. Drucker

Evaluate the extent to which the level of promotional spending determines the success of a product or service. [40]

Answers could include:

Definitions of marketing and/or promotion.

Explanation of market orientation – as the quote suggests. Business examples of market orientation and how this might reduce the need for expensive advertising/promotion.

Ways in which businesses can “get to know and understand” customers (not just consumers).

Is it really possible to get to know customers that well? Depends on size of business? Nature of product? Location of customers?

The benefits of doing this – based on Drucker’s quote.

Promotion spending still needed?

- New products – informative
- Developments of existing products – informative
- Brand creation and brand building – persuasive
- Encouraging distribution channel to stock products

Business examples of effective/ineffective promotions.

Can promotion spending ever “determine the success of a product”?

Could a product be a success without promotion spending? Viral marketing might become more important and this might reduce promotional costs.

Overall evaluation: Balancing the need of “getting to know customers” against the importance of promotional spending.

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- 26 'When written in Chinese, the word crisis is composed of two characters – one represents danger and the other represents opportunity.' John F. Kennedy.

Discuss the factors that determine whether a business is able to convert a crisis into an opportunity. [40]

Answers could include:

Business examples of crises – internal to the company e.g. death of manager, IT failure etc; external to company e.g. natural disasters, economic events, oil spills etc.

Contingency planning – importance of this for reducing the “danger” of unforeseen events occurring and the scope for such planning to create “opportunities” e.g. by giving staff and customers increased confidence and creating positive PR for the business.

Develop business examples of crises and explain how opportunities might arise:

- Recession – develop a range of income inelastic products
- Natural disaster – be in first with aid and support
- Redundancies – offer retraining and resettlement packages to reassure staff remaining
- Loss of senior staff – creates vacancies for younger blood in the organisation

Overall evaluation:

When/how can a business turn a crisis into an opportunity?

Depends on:

- Nature of the crisis
- Flexibility of management/resources
- Culture of the business

- 27 **It is often claimed that a well-motivated workforce can lead to increased productivity and improved competitiveness.**

Evaluate the extent to which businesses can improve competitiveness through increased workforce motivation. [40]

Answers could include:

Definitions of motivation/productivity/competitiveness.

Explain how motivated staff can increase productivity.

Explain how higher productivity can improve cost/price competitiveness.

UK business faces huge competition from low-cost (especially low wage cost) rivals located in other countries.

Competitiveness driven by other factors too.

Price competitiveness:

- Other costs apart from unit labour costs
- Taxes e.g. corporate tax rates
- Exchange rate

Non-price competitiveness:

- Design (R and D)
- Quality
- Customer service etc.

Business examples of motivation leading to competitiveness.

Business examples of other factors that can lead to competitiveness.

Overall evaluation:

E.G.: Improved workforce motivation is probably necessary to increase motivation but it may not be sufficient.

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28 The profitability of some UK businesses has increased in recent years despite adverse economic conditions.

Discuss the view that external factors are less important to business success than effective management decisions. [40]

Answers could include:

Explain “adverse economic conditions” e.g. low GDP growth, above target inflation, exchange rate fluctuations, higher taxes (some, not all). Lower government spending.

Explain **potential** impact on UK businesses:

Lower demand, squeezed profit margins, lower investment.

Which have suffered from these conditions – and why?

Which seem to have done well despite (or because of?) these conditions?

Impact of management decisions on UK business success e.g. expanding abroad where macro-economic conditions might be more favourable.

Scope for many business examples and discussion of them.

How can effective management decisions make the impact of adverse macro-economic conditions less serious – or even positive?

Overall evaluation: E.G.: The impact of adverse economic conditions can be reduced (or overturned) by effective management decisions in many cases.