

MARK SCHEME for the October/November 2013 series

9707 BUSINESS STUDIES

9707/11

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

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Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

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- 1 (a) Performance related pay can be defined as a bonus scheme to reward staff for achieving/ exceeding average performance – e.g. achieving/exceeding expectations against a set standard.
- Partial definition given [1]
 - Full definition given [2]
- (b) Disadvantages of PRP are often given as:
- It can be difficult/costly for the company to establish the appropriate standard/system/ supervision for awarding PRP.
 - It can fail to motivate staff if their 'needs' are not primarily financial.
 - PRP can be divisive if there is a focus on individual performance (to the detriment of the team).
 - It can lead to allegations of favouritism by management.
 - Levels of PRP can often be inadequate.
 - Can lead to greater control over workers and encourage a controlling type of management.
- Partial explanation of **one** disadvantage or a list of **two**. [1]
 - Sound explanation of **one** disadvantage or partial explanation of **two**. [2]
 - Sound explanation of **two** disadvantages. [3]
- 2 (a) Primary research is defined as:
- the collection of first hand data
 - directly related to the needs of a business/customer/market/products
 - accurate examples of methods used to carry out primary research
- Partial definition [1]
 - Sound definition [2]
- (b) Disadvantages of conducting primary research include:
- On its own primary research might not be sufficient for the organisation.
 - Expensive – detailed and specific surveys are costly.
 - It may well be time-consuming (internet secondary research much quicker).
 - There may be doubts over accuracy and validity because of the need to use sampling – these may not be representative of the total population.
 - On its own primary research may not be sufficient for the organisation.
- Partial explanation of **one** disadvantage or a list of **two**. [1]
 - Sound explanation of **one** disadvantage or partial explanation of **two**. [2]
 - Sound explanation of **two** disadvantages. [3]

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3 The rights of employees as a stakeholder group include:

- To be treated within the minimum limits of protective legislation, e.g. minimum wage, health and safety.
- To be treated by the employer according to employment contract.
- To be allowed to join a trade union – make representations to employers.

The responsibilities of employees as stakeholders include:

- To meet the conditions of the employment contract.
- To co-operate with management in all reasonable requests.
- To observe any ethical code of conduct.

- Limited reference to employees as stakeholders and/or to their rights and responsibilities or definition of stakeholders. [1]
- Sound explanation of **either** employee rights **or** employee responsibilities. [2–3]
- Partial explanation of employee rights **and** employee responsibilities. [2–3]
- Sound explanation of employee rights **and** employee responsibilities. [4–5]

4 (a) Businesses can be described as either being ‘capital intensive’ – operations involving a high level of capital equipment compared with labour input, or ‘labour intensive’ – where operations involve a high level of labour input compared with capital equipment.

- Partial distinction made or accurate definition of either capital intensive or labour intensive [1]
- Sound distinction made [2]

(b) A switch from labour to capital intensive production methods might be explained by:

- Relative prices of the two inputs may change – labour costs significantly increase.
- Cost of capital machinery may reduce.
- Technological development may allow production process (or parts of it) to be mechanised.
- Competitors may force a business into capital intensive approach.
- Business may become large enough/profitable enough to purchase capital machinery.
- Partial explanation of **one** factor or a simple list of **two**. [1]
- Sound explanation of **one** factor or partial explanation of **two**. [2]
- Sound explanation of **two** factors. [3]

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5 (a) The distinction between capital and revenue expenditure may be explained in the following terms:

- Definitions of both: – capital expenditure – purchase of long-lasting assets; revenue expenditure – spending on costs and assets other than fixed assets.
 - They will almost certainly be financed in different ways.
 - In accountancy terms, they will be recorded differently
 - All revenue expenditure will be recorded on each year's Income Statement and will, therefore, reduce that year's profits; – capital expenditure is recorded on the Balance Sheet as a depreciation item on each year's Balance Sheet.
 - Capital expenditure more likely to increase the earning capacity of a business (its non-current assets) while revenue expenditure merely maintains the assets earning capacity.
 - Capital expenditure increases a business's asset position.
 - Improper asset classification can skew the financial position of a business.
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- Analysis of the distinction between revenue and capital expenditure. [7–8]
 - Good explanation of the distinction between revenue and capital expenditure. [5–6]
 - Limited explanation of the distinction between revenue and capital expenditure. [3–4]
 - Little understanding of the distinction between revenue and capital expenditure/definition given. [1–2]

(b) Internal sources of finance to fund capital expenditure include:

- Retained profits in a business can finance capital expenditure – assuming it is trading profitably.
 - Newly-formed companies or loss trading companies limited opportunity to use/access internal sources.
 - Sale of assets can raise cash for established companies – leasing will also raise capital (e.g. a company can sell its valuable HQ and lease it back).
 - Reductions in working capital – can lead to liquidity concerns.
 - Many advantages for using internal sources – no direct cost to the business – no increase in liabilities or debts, or loss of control by owners.
 - But not available to all companies.
 - May slow down growth as there will be a limit to amount of capital available usually.
 - So external sources may well be required.
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- Evaluative comment on appropriateness of using internal sources. [9–12]
 - Analysis of appropriateness of internal financing. [7–8]
 - Discussion of appropriateness of internal financing. [3–6]
 - Limited discussion of appropriateness or some understanding of internal financing. [1–2]

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- 6 Business enterprise defined as activity where the primary motive is profit – production of goods and services to consumers at a profit – create wealth.
Social enterprise more narrowly defined – social mission-driven organisations applying market based strategies to achieve a social purpose/environmental purpose – re-investment of profits back into community or back into business.
- In many ways they are very different – but in some ways very similar.
 - Business enterprise may be identified as: (entrepreneurs)
 - create employment – generate business activity.
 - increase economic growth – GDP of a country increased.
 - business grows and develops – multi-nationals.
 - innovation and technological development takes place.
 - international competitiveness improved – export markets.
 - economic development improves social cohesion.
 - all the benefits of a successful market enterprise system.
 - but can be socially responsible (and socially irresponsible) and advance social issues and cohesion.
 - Social enterprise may include: (triple bottom line)
 - specific social benefit to economies (national and local).
 - create employment for often disadvantaged employees and communities.
 - protect and advance environmental issues alongside production processes.
 - re-distribute production benefits, not just to shareholders or a limited number of shareholders.
 - complement wholly public sector owned organisations.
 - highlight ways in which business enterprise can be improved.
 - in so doing create employment – generate taxation and economic benefit.

Social enterprise units can be entrepreneurial and very efficient, and business enterprise units can be very socially responsible.

- Evaluative comment on the differences and similarities between 'business enterprise' and 'social enterprise' for economies. [17–20]
- Analysis of the differences and similarities between 'business enterprise' and 'social enterprise' for economies. [13–16]
- Discussion of the differences and similarities between 'business enterprise' and 'social enterprise' for economies. [11–12]
- Some understanding of the differences and similarities between 'business enterprise' and 'social enterprise' for economies. [5–10]
- Very little understanding of 'business enterprise' and/or 'social enterprise'. [1–4]

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7 (a) 'Above the line promotion is:

- A form of paid-for communication by business in the mass media to inform and persuade – e.g. advertising on TV, cinema, newspapers.
- Main aim is to inform, raise awareness and build brand positioning – relatively high cost promotion.
- It can be targeted but often is seen by anyone outside of the target audience.
- Communication targeted to a wider spread of audience and not specific to individual consumers.

Below the line promotion is:

- Promotional activities where business has direct control over the target or intended audience – sales promotions – personal selling, sponsorship, PR, point of purchase promotions.
- Designed to achieve short-term sales increases and repeat purchases by consumers.
- More one-to-one approach, e.g. sampling, demonstrations – more touch and feel.

Why use both:

- These two types of promotion are used in pursuit of essential marketing objectives –
To maximise the present information to customers and others.
To increase demand and build brand awareness.
To differentiate a product and drive sales through specific promotional offers.
- The distinction between the two kinds of promotion is not absolute and some see the terminology as antiquated – digital communication has broken down the boundaries – now the phrase 'Through the line' is increasingly being used where for example a TV advert is combined with a flyer through the door – multiple consumer engagement points.

- Analysis of why ATL and BTL might be used. [7–8]
- Good explanation of why ATL and BTL might be used. [5–6]
- Limited explanation of why ATL and/or BTL might be used. [3–4]
- Little understanding of promotion methods. [1–2]

(b) The discussion of advantages from effective branding could include:

- A strategy that differentiates a product from competitors by creating an identifiable image and clear expectations of the product.
- It can create a powerful image in the minds of customers, e.g. for quality/style.
- Provides a product with a unique identity.
- Increase the chances of brand recall by consumers.
- Allow for a 'family' of closely associated products to be established.
- Reduce price elasticity of demand as consumers prefer well known brands.
- Increases consumer loyalty to brands.
- Brand can give reputation and goodwill.
- Creating durable and distinctive perceptions in the minds of consumers is then potentially very valuable – but it can be expensive to establish and it needs careful protection and safeguarding.

- Evaluative comment on advantages of effective branding in context. [9–12]
- Analysis of advantages of effective branding in context. [7–8]
- Discussion of advantages of effective branding. [3–6]
- Limited understanding of branding. [1–2]