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BUSINESS **9609/22**

Paper 2 Data Response **March 2020**

MARK SCHEME

Maximum Mark: 60

Published

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.

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This document consists of **15** printed pages.

Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1: Marks must be awarded in line with: • the specific content of the mark scheme or the generic level descriptors for the question • the specific skills defined in the mark scheme or in the generic level descriptors for the question • the standard of response required by a candidate as exemplified by the standardisation scripts.
GENERIC MARKING PRINCIPLE 2: Marks awarded are always **whole marks** (not half marks, or other fractions).
GENERIC MARKING PRINCIPLE 3: Marks must be awarded **positively**: • marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate • marks are awarded when candidates clearly demonstrate what they know and can do • marks are not deducted for errors • marks are not deducted for omissions • answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.
GENERIC MARKING PRINCIPLE 4: Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.
GENERIC MARKING PRINCIPLE 5: Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).
GENERIC MARKING PRINCIPLE 6: Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Question	Answer	Marks
1(a)(i)	**Define the term 'job production' (line 1)**	2

Knowledge	Marks
A correct definition	2
A partial, vague or unfocused definition	1
No credible content	0

A correct definition should cover the following:
- one by one/made individually/one at a time
- for a specific customer/order/not repeated/high standard/custom work/skilled labour

Exemplar	Rationale	Marks
A one off product for a specific customer	Both elements covered	2
An individual product designed to a specific customer requirement	Both elements covered	2
A customised product	An understanding of customisation (no expansion)	1
An individually designed product	Only one element of the flow identified	1

Question	Answer	Marks
1(a)(ii)	**Explain the term 'opportunity cost' (line 4)** Award one mark for each point of explanation	3

Point	Explanation	Marks
C	Example or some other way of showing good understanding – e.g. Affordability, time issues, choice, scarcity	1
B	Understanding of foregone/not used	1
A	Understanding of the concept of 'next best'	1

Note: C mark can only be awarded if A and B marks have already been awarded

Exemplar	Rationale	Marks
Opportunity cost is the value of the next best option foregone, due to time or cost issues.	All three elements	3
The value of the second best option that is not chosen as it is not as not as good as the first.	All three elements	3
Opportunity cost is the value of the next best option foregone	A and B	2
The next best option foregone	A and B	2
A lost option	B	1
Using the best option only	NAQ	0

Question	Answer	Marks
1(b)(i)	**Refer to Table 1. Calculate the forecast profit margin for option 1.**	

Rationale	Marks
Correct answer (with or without formula or %)	**4**
Attempt using correct figures	**3**
Correct formula **and** calculation of cost **or** revenue **OR** Correct calculation of cost **and** revenue **OR** Correct calculation of profit	**2**
Correct formula or correct calculation of one figure (cost or revenue – total or individual)	**1**
No credible content	**0**

$$\frac{\text{Profit}}{\text{Sales revenue}} \times 100$$

Cost of one bench   = 50 + 25 + 25 = \$100

Revenue of one bench   = \$100 × 1.5   = \$150

Profit   = \$150 – \$100 = \$50

Profit margin $= \dfrac{\$50}{\$150} = 0.33 \times 100 = 33\%$

Question	Answer	Marks
1(b)(i)	*or*	

$$\text{Profit} = (\$150 - \$100) \times 5 = \underline{\$250} = 0.33 \times 100 = 33\%$$
$$\text{Sales revenue} = 5 \times 150 \quad = \$750$$

Response	Mark	Rationale
33 (no working)	4	Correct answer, no working or % needed
50% (no working)	0	Incorrect answer – no working to back up where figure came from
$150 – $100 = $50 $\underline{\$50}$ $100 = 50\%$	3	Wrong base figure used – attempt using correct figures **(must have working)**
$750 – $500 = $250	2	Correct calculation of total profit for one bench **(must have working)**
$150 – $100 = $50	2	Correct calculation of profit for one bench **(must have working)**
$500	1	Correct calculation of total costs
$100	1	Correct calculation of cost of one bench
$750	1	Correct calculation of total revenue
$150	1	Correct calculation of revenue for one bench

OFR applies

Question	Answer	Marks
1(b)(ii)	**Explain <u>one</u> way in which Bob could increase the forecast profitability of option 1.**	**2**

Level	Knowledge and application	Marks
2 (APP)	Explains one or more way in which Bob could increase forecast profitability (in context)	**2**
1a (K)	Identifies one or more way in which forecast profitability could be increased (In or out of context)	**1**
0	No creditable content	**0**

Some ways Bob could increase forecast profitability:
- Bob could decrease the cost of raw materials by using cheaper wood
- Could choose a different method of transportation to reduce costs
- Could change to a batch method of production of benches which could reduce labour costs

Exemplar	Rationale	Marks
Could change to a batch method of production of benches which could reduce labour costs	One explained with direct link to the case.	**2**
Decrease cost of raw materials	One identified without any explanation	**1**
No creditable content		**0**

Question	Answer	Marks
1(c)	**Analyse <u>two</u> benefits to Bob of using cost-based pricing.**	8

Level	Knowledge and Application (4 marks)	Marks	Analysis (4 marks)	Marks
2b	Shows understanding of **two** benefits of cost-based pricing a *in context*	4	Developed analysis on Bob of **two** benefits of cost-based pricing *in context*	4
2a	Shows understanding of **one** benefit of cost-based pricing *in context*	3	Developed analysis on Bob of **one** benefit of cost-based pricing *in context*	3
1	Shows knowledge of **two** benefits of using cost-based pricing	2	Limited analysis on a business of **two** benefits of cost-based pricing	2
	Shows knowledge of **one** benefit of using cost-based pricing	1	Limited analysis on a business of **one** benefit of cost-based pricing	1
0	No creditable content			

Knowledge
A method of creating a selling price based on relevant factors
Putting the same mark up on all products regardless of other variables/factors

Benefits include:
- Easy to use
- Quick to calculate
- Covers all costs
- Can be used in a dynamic market
- Allows for pricing of 'one-off' products
- Can be used for new/innovative products

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Context/content/analysis:
- Will never make a loss on any garden benches made *(APP/AN) and will lead to better forecasting (ANAN)*
- Is responsive to changes in the cost of raw materials (k) such as wood (APP) which means that costs will always be covered (an) and may reduce the selling price if costs fall (ANAN)

Question	Answer	Marks
1(d)	**Refer to Table 1.1 and any other relevant information. Recommend which of the two options Bob should choose. Justify your recommendation.**	11

Knowledge and Application (4 marks)	Marks	Analysis and Evaluation (7 marks)	Marks
		Justified recommendation based on argument *in context*	7
		Developed recommendation based on argument *in context*	6
		An evaluative statement / recommendation based on argument *in context*	5
Shows understanding of **two** factors affecting decision making **of both options** *in context*	4	A balanced argument based on analysis of **both options** available to *Bob's Furniture*	4
Shows understanding of factor affecting decision making **of one option** *in context*	3	Argument based on analysis of **one option** available to *Bob's Furniture*	3
Shows knowledge of **two** factors affecting decision making in a business	2	Limited analysis of **two** factors affecting decision making	2
Shows knowledge of **one** factor affecting decision making in a business	1	Limited analysis of **one** factor affecting decision making in a business	1
No creditable content			

Annotate the first option on the LHS and the second option on the RHS

Answers could include:
- The opportunity costs associated with choosing option X over option Y (time taken, costs etc)
- The upselling opportunity offered from selling a complimentary product
- The potential brand dilution of selling lower quality garden furniture affecting the premium core business
- Maximising usage and profit potential of raw materials for option 2

Any answer which does not reference either option 1 or 2 and focuses only on the core business cannot score higher than limited analysis (i.e. 2 + 2)

Question	Answer	Marks
2(a)(i)	**Define the term 'market segment' (lines 5–6)**	**2**

Knowledge	Marks
Reference to groups of potential customers **with** similar characteristics	**2**
Reference to groups of potential customers **OR** similar characteristics	**1**
No credible content	**0**

A correct definition could cover the following:
- A group of potential customers/a division of the market
- That all have similar characteristics/needs and wants

Exemplar	Rationale	Marks
A group of potential customers who have similar needs and/or wants	Two elements covered	**2**
A part of the whole market which has similar characteristics	Two elements covered	**2**
Customers with similar characteristics	A simple statement	**1**
Different groups of potential customers	An understanding but too vague	**1**
customers	Too vague	**0**

Question	Answer	Marks
2(a)(ii)	**Explain the term 'start-up capital' (lines 6–7)**	3

Award one mark for each point of explanation

Point	Knowledge	Marks
C	**Example** or some other way of showing good understanding – to buy machinery / equipment / raw materials	1
B	Understanding of the time frame – initial, needed to create a business	1
A	Understanding of capital – money used within a business	1

Note: C mark can only be awarded if A and B marks have already been awarded

Exemplar	Rationale	Marks
It is the initial investment needed to fund a new business, used to buy new machinery or premises	All three elements	3
Seed money used to invest in a new business venture, such as licences	All three elements	3
Money for a new business	A and B	2
Seed money	A and B	2
Money used in a business such as buying raw materials.	A only	1
Money used in a business	A only	1
Capital used to start up a business	Tautology	0
No identifiable content		0

Question	Answer	Marks
2(b)(i)	**Refer to Table 2.1 and Table 2.2. Calculate the break-even level of sales for JS in the summer.**	**2**

Level	Rationale	Marks
2	Correct answer (**with or without working and/or units**)	**2**
1	Correct formula/understanding of breakeven/correct use of wrong figures	**1**
0 mark	No credible content	**0**

$$\text{Break even} = \frac{\text{Fixed costs}}{\text{Contribution per unit (selling price} - \text{variable costs}}$$

$$\text{Break even} = \frac{10\,000}{(6-2)} = 2500 \text{ units}$$

Common incorrect answers

Answer	Rationale	Marks
2500	Correct answer (no units)	**2**
FC/CPU	Correct formula	**1**
1667	No creditable content	**0**

Question	Answer	Marks
2(b)(ii)	**Explain <u>two</u> factors which may influence the demand for Joe's product.**	4

Level	Knowledge and Application	Marks
2 (APP)	Explanation of **two** factors influencing demand *in context*	4
2 (APP)	Explanation of **one** factor influencing demand *in context*	3
1b (KK)	Knowledge of **two** factors affecting demand	2
1a (K)	Knowledge of **one** factor affecting demand	1
0	No creditable content	0

Context is likely to come from:
- The weather – smoothies are more likely to be consumed in summer
- The ingredients used in the smoothies – local tastes
- The price – comparable to competitors/whether the drinks are affordable
- The health culture – is it important?

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Question	Answer	Marks
2(c)	**Analyse <u>two</u> methods of primary market research that Joe could use.**	**8**

Level	Knowledge and application	Marks	Analysis	Marks
2	Understanding of **two** methods of primary market research *in context*	**4**	Developed analysis of **two** appropriate methods of primary research *in context*	**4**
	Understanding of **one** method of primary market research *in context*	**3**	Developed analysis of **one** appropriate method of primary research *in context*	**3**
1	Knowledge of **two** methods of primary market research	**2**	Limited analysis of **two** methods of primary research	**2**
	Knowledge of **one** method of primary market research	**1**	Limited analysis of **one** method of primary research	**1**
0	**No creditable content**			

Annotate the first method in the left hand margin and the second in the right hand margin. If more than two methods are attempted, mark the ones that would give the candidate the highest mark allocation.

Note: Quantitative and qualitative are not methods of primary market research

Content/context and analysis:
- Field research: testing the product on potential customers
- Surveys and questionnaires: can gain a wider range of potential customer opinions and feedback
- Focus groups: can have justified potential customer feedback

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Do not reward sampling as a method

Question	Answer	Marks
2(d)	**Discuss sources of finance Joe could use to start up his business.**	**11**

Knowledge and Application (4 marks)	Marks	Analysis and Evaluation (7 marks)	Marks
		Justified evaluation based on argument**s** *in context*	**7**
		Developed evaluation based on argument**s** *in context*	**6**
		An evaluative statement based on argument**s** *in context*	**5**
Understanding of **two** sources of finance *in context*	**4**	Developed argument of **two** or more external sources of finance *in context*	**4**
Understanding of **one** source of finance *in context*	**3**	Developed argument of **one** external source of finance *in context*	**3**
Knowledge of **two** sources of finance	**2**	Limited analysis of **two** sources of finance	**2**
Knowledge of **one** source of finance	**1**	Limited analysis of **one** source of finance	**1**

Annotate the first source in the left hand margin and the second in the right hand margin. If more than two sources are attempted, mark the ones that would give the candidate the highest mark allocation.

Contextual analysis likely to come from:
- Bank overdraft as the costs are low and likely to be repaid in the short term
- Bank loan as the capital investment of $2k may be too high for an overdraft
- Government start-up grant as he is setting up a new business and may create jobs

Evaluation is likely to come from:
- Short and long term ambitions of Joe
- Joe's attitude to risk
- Joe's ability to persuade banks to lend him the start-up capital

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