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BUSINESS

TOPICAL PAPER 2

2012-2020

For
Cambridge Examinations

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1 Syllabus overview

1.1 Content

This table gives an overview of the syllabus content for Cambridge International AS & A Level Business.

	All candidates study these AS Level topics	A Level candidates also study these additional topics
1 Business and environment	<ul style="list-style-type: none"> Enterprise Business structure Size of business Business objectives Stakeholders in a business 	<ul style="list-style-type: none"> Business structure Size of business External influences on business activity
2 People in organisations	<ul style="list-style-type: none"> Management and leadership Motivation Human resource management 	<ul style="list-style-type: none"> Human resource management Organisational structure Business communication
3 Marketing	<ul style="list-style-type: none"> What is marketing? Market research The marketing mix 	<ul style="list-style-type: none"> Marketing planning Globalisation and international marketing
4 Operations and project management	<ul style="list-style-type: none"> The nature of operations Operations planning Inventory management 	<ul style="list-style-type: none"> Operations planning Capacity utilisation Lean production and quality management Project management
5 Finance and accounting	<ul style="list-style-type: none"> The need for business finance Sources of finance Costs Accounting fundamentals Forecasting cash flows and managing working capital 	<ul style="list-style-type: none"> Costs Budgets Contents of published accounts Analysis of published accounts Investment appraisal
6 Strategic management	<ul style="list-style-type: none"> <i>[No topics at AS Level]</i> 	<ul style="list-style-type: none"> What is strategic management? Strategic analysis Strategic choice Strategic implementation

AS Level Topic wise Past Papers (P22)[2011-2020]

Compiled By: Sir Sajjad Hyder

Total Marks: 60

Time Allowed: 1 hour 30 minutes

Section Name:	Topic Name	Data Response Name	Year	Question Number
SECTION 1: BUSINESS AND ITS ENVIRONMENT	1. ENTERPRISE	1.McQuarry(MQ) 2.BizBank (BB) 3. School Sports Shop (SSS) 4. Popular Presents (PP) 5. Scented Candles (SC)	2011 M/J 2012 O/N 2013 O/N 2015 O/N 2016 M/J	a (ii) a(i) a (ii) (c) (c) a (i)
	2. BUSINESS STRUCTURE	1.McQuarry(MQ) 2.Kidz 3.BizBank(BB) 4.Regal Restaurants (RR) 5.Trndy Paints (TP) 6. Fizzy Drinks (FD) 7. Great Gifts (GG) 8. Mackintosh Shoes (MS) 9. Pampered Pets (PP) 10. Perfect Pizza (PP) 11. Quality Leather (QL) 12. Occasion Cards (OC) 13. Nearly New (NN) 14. Online Travel (OT)	2011 M/J 2011 O/N 2012O/N 2013 M/J 2013 M/J 2013 O/N 2014 M/J 2016 M/J 2016 O/N 2017 M/J 2017 M/J 2017 O/N 2017 O/N 2018 M/J	a (i) a (i) a (ii) (c) a (i)(c) a (i) (c) (b) a (ii) (d) (d) a (ii) (d) a (ii) a (i)
	3. SIZE OF BUSINESS	1. Perfect Pizza 2. Quality Leather 3. Umpire Umbrellas (UU)	2017 M/J 2017 M/J 2018 M/J	b (i)(ii) (d) (d)
	4. BUSINESS OBJECTIVES	1. Regal Restaurant (RR) 2. Affordable Builders (AB) 3. Scented Candles (SC)	2013 M/J 2015 M/J 2016 M/J	a(i) (d) (c)

AS Level Topic wise Past Papers (P22)[2011-2020]

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Time Allowed: 1 hour 30 minutes

	5. STAKEHOLDERS IN A BUSINESS	1. McQuarry(MQ) 2. Rex cinema 3. Helping The Children (HTC) 4. Easy Television (ET) 5. Kitchen Quality Appliances (KQA)	2011 M/J 2011 O/N 2014 O/N 2015 M/J 2015 O/N	(d) (d) (c) (d) a(ii)
SECTION 2: PEOPLE IN ORGANISATIONS	1. MANAGEMENT AND LEADERSHIP	1. Large town football club (LFC) 2. King Kites (KK) 3. Great Gifts (GG) 4. Helping The Children (HTC) 5. Quality Leather	2012 M/J 2012 O/N 2014 M/J 2014 O/N 2017 M/J	(d) (c) (d) a (i) (c)
	2. MOTIVATION	1. Turbo tractors (TT) 2. Bright Air Conditioning 3. Best Bakery (BB)	2011 M/J 2012 M/J 2014 O/N	(c) a (i),(ii) (d)
	3. HUMAN RESOURCE MANAGEMENT	1. McQuarry(MQ) 2. Kidz 3. BizBank (BB) 4. Regal Restaurant (RR) 5. Let's Make Music (LMM) 6. Best Bakery (BB) 7. Affordable Builders (AB) 8. Kitchen Quality Appliances (KQA) 9. Mackintosh Shoes (MS) 10. Pampered Pets (PP) 11. Perfect Pizza (PP) 12. Nearly New (NN) 13. Online Travel (OT)	2011 M/J 2011 O/N 2012 O/N 2013 M/J 2014 M/J 2014 O/N 2015 M/J 2015 O/N 2016 M/J 2016 O/N 2017 M/J 2017 O/N 2018 M/J	a (i) b (i),(ii) (c) (d) b(i)(ii) a (ii) b(i)(ii) (c) (d) a (i) a (i) a(ii) (c) (d) a (ii) (c)

AS Level Topic wise Past Papers (P22)[2011-2020]

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SECTION 3: MARKETING	1. WHAT IS MARKETING	1. Kidz 2. Regal Restaurnt (RR) 3. Let's Make Music (LMM) 4. Umpire Umbrellas (UU)	2011 O/N 2013 M/J 2014 M/J 2018 M/J	a (ii) b (i)(ii) a(i) (c) a (i)
	2. MARKET RESEARCH	1. Rex cinema 2. King Kites (KK) 3. Helping The Children (HTC) 4. Scented Candles (SC) 5. Online Travel (OT)	2011 O/N 2012 O/N 2014 O/N 2016 M/J 2018 M/J	(c) a (ii), b(i)(ii) (d) a (ii) b (i)(ii)(iii)
	3. MARKETING MIX	1. Kidz 2. Bright Air Conditioning 3. Large town Football Club. 4. BizBank (BB) 5. King Kites (KK) 6. Regal Restaurant (RR) 7. Trendy Paints (TP) 8. School Sports Shop (SSS) 9. Let's Make Music (LMM) 10. Easy Television (ET) 11. Popular Presents (PP) 11. Kitchen Quality Appliances (KQA) 12. Scented Candles (SC) 13. Fire Fly Ebooks (FFE) 14. Fire Fly Ebooks (FFE)	2011 O/N 2012 M/J 2012 M/J 2012 O/N 2012 O/N 2013 M/J 2013 M/J 2013 O/N 2014 M/J 2015 M/J 2015 O/N 2015 O/N 2016 M/J 2016 O/N 2016 O/N	(c), (d) (d) a(ii) b(i)(ii) (d) (d) a (ii) a(ii) a(i) b(i)(ii)(d) a(ii) (c) a (i)b(ii) a(i) b (i)(ii) (d) (c) a (i)(ii)

AS Level Topic wise Past Papers (P22)[2011-2020]

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Time Allowed: 1 hour 30 minutes

		15. Occasion Cards (OC) 16. Nearly New (NN) 17. Online Travel (OT)	2017 O/N 2017 O/N 2018 M/J	(c) b (ii) (d)
SECTION 4: OPERATIONS MANAGEMENT	1. THE NATURE OF OPERATIONS	1. Mackintosh Shoes (MS)	2016 M/J	(c)
	2. OPERATIONS PLANNING	1. Turbo tractors (TT) 2. Bright Air Conditioning 3. King Kites 4. Fizzy Drinks (FD) 5. Let's Make Music (LMM) 6. Great Gifts (GG) 7. Best Bakery (BB) 8. Kitchen Quality Appliances (KQA) 9. Quality Leather (QL) 10. Occasion Cards (OC) 11. Umpire Umbrellas (UU)	2011 M/J 2012 M/J 2012 O/N 2013 O/N 2014 M/J 2014 M/J 2014 O/N 2015 O/N 2017 M/J 2017 O/N 2018 M/J	a (i) (b) a (i) (d) (d) a (i) (c) (c) a(i) a(i)(ii) (c)
	3. INVENTORY MANAGEMENT	1. Turbo tractors (TT) 2. Great Gifts (GG) 3. Affordable Builders (AB) 4. Nearly New (NN)	2011 M/J 2014 M/J 2015 M/J 2017 O/N	(d) a (ii) a (ii) a(i)
SECTION 5: FINANCE AND ACCOUNTING	1. THE NEED FOR BUSINESS FINANCE	1. Pampered Pets (PP)	2016 O/N	a (ii)

AS Level Topic wise Past Papers (P22)[2011-2020]

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Total Marks: 60

Time Allowed: 1 hour 30 minutes

2. SOURCES OF FINANCE	1. Great Gifts (GG)	2014 M/J	(c)
	2. Affordable Builders (AB)	2015 M/J	a(i)
	3. Popular Presents (PP)	2015 O/N	(d)
	4. Mackintosh Shoes (MS)	2016 M/J	(d)
	5. Pampered Pets (PP)	2016 O/N	(c)
	6. Perfect Pizza (PP)	2016 O/N	a (i)
3. COSTS	1. Rex Cinema	2011 O/N	a (i)(ii) b (i)(ii)
	2. Trendy Paints (TP)	2013 M/J	b (i)(ii)
	3. Easy Television (ET)	2015 M/J	a (i)
	4. Umpire Umbrellas (UU)	2018 M/J	a(ii)b(i)(ii)
4. ACCOUNTING FUNDAMENTALS	1. Turbo tractors (TT)	2011 M/J	a (ii), b(i)(ii)
	2. Bright Air Conditioning	2012 M/J	(c)
	3. Large town Football Club (LFC)	2012 M/J	a(i) (c)
	4. BizBank(BB)	2012 O/N	b (i)
	5. Fizzy Drinks (FD)	2013 O/N	a (ii) b(i)(ii)
	6. Best Bakery (BB)	2014 O/N	a (i) b (i)(ii)
	7. Help in The Children (HTC)	2014 O/N	b(i)(ii)
	8. Easy Television (ET)	2015 M/J	a(ii) b(i)(ii)
	9. Popular Presents (PP)	2015 O/N	b(i)
	10. Kitchen Quality Appliances (KQA)	2015 O/N	b(i)(ii)
	11. Mackintosh Shoes (MS)	2016 M/J	b(i)(ii)
	12. Pampered Pets (PP)	2016 O/N	b (i)(ii)
	13. Quality Leather (QL)	2017 M/J	b (i)(ii)
	14. Occasion Cards (OC)	2017 O/N	b(i)(ii)
	15. Nearly New (NN)	2017 O/N	b(i)

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5. FORECASTING CASH FLOW AND MANAGING WORKING CAPITAL	1. McQuarry(MQ)	2011 M/J	b (i),(ii)
	2. BizBank (BB)	2012 O/N	b (ii)
	3. Helping The Children (HTC)	2014 O/N	a (ii)
	4. Popular Presents (PP)	2015 O/N	a (ii)
	5. Fire Fly Ebooks (FFE)	2016 O/N	b (i)(ii)
	6. Fire Fly Ebooks (FFE)	2016 O/N	(d)
	7. Nearly New (NN)	2017 O/N	(c)

BUSINESS STUDIES

Paper 2

9707/22
May/June 2012

1 Bright Air Conditioning (BAC)

BAC manufactures air conditioning units. These units are fixed in place in new buildings when they are built. BAC has many competitors in this market. BAC's main customers are building firms. Marketing is directed at building firms through trade magazines and personal selling.

The Research and Development team at BAC has developed an air conditioning unit that can be operated by power from the sun's energy. This new unit, branded Ecocon, will not be fixed in place – it will be easy to move around. 5

BAC has identified the following possible target markets:

- businesses that need movable air conditioning
- households and businesses that have unreliable electricity supplies 10
- the 'environmentally aware' consumer.

BAC needs to ensure that Ecocon units are easy to use. The units will need to be low cost, but reliable.

Ecocon customers will be final consumers rather than builders. This means that units will not be built to order, but mass produced and held in stock (inventory). 15

Table 1: Forecast impact on BAC's annual accounts of introducing Ecocon units

	Without Ecocon	With Ecocon	
Revenue (\$m)	50	75	
Net profit before tax (\$m)	5	15	
Net profit margin	10%	20%	20
Current assets (\$m)	15	22	
Current liabilities (\$m)	10	11	
Inventories (\$m)	5	11	
Current ratio	1.5	to be calculated	
Acid test ratio	1	to be calculated	25

BAC's workforce is motivated through performance related pay and empowerment.

(a) Explain the following terms:

- (i) performance related pay (line 26) [3]
- (ii) empowerment (line 26). [3]

(b) Explain how technology could be used by BAC to design and manufacture the new Ecocon. [6]

(c) Analyse the impact on BAC's profitability and liquidity ratios if the new Ecocon units are introduced. Use the information in Table 1 and appropriate accounting ratios in your answer. [8]

(d) Recommend changes to BAC's marketing mix if BAC decides to introduce Ecocon. Justify your recommendations. [10]

2 Largetown Football Club (LFC)

LFC is a very successful football club. LFC is owned by the Lewis brothers as a partnership. LFC has won many competitions and has made big profits. Recently revenues have fallen due to reduced payments from television companies who broadcast some of LFC’s games. Costs have risen recently, with footballers’ wages continuing to grow rapidly. As a result profits are falling. 5

The owners of LFC are considering two ways of increasing revenues:

- increasing the price of tickets for matches
- increasing above the line promotion to create more sales of football shirts, coffee cups and other branded products from its shop.

LFC employs 20 paid footballers. In addition LFC’s employees include 2 managers, 18 office and general workers, 5 shop workers and 20 part-time workers for supervising crowds at matches. 10

The football team is doing very well, led by an inspirational new team manager called Roger. The office workers have complained about the poor pay and the autocratic style of the Managing Director, Peter. Motivation amongst non-playing employees is low, with high staff turnover and increasing absenteeism. 15

LFC’s main competitor is Big City United (BCU). The directors of BCU claim that BCU is the country’s largest football club. LFC prepared the following table.

Table 2: Data comparing the size of the two football clubs, 2011

	LFC	BCU	
Average crowd attendance per match	10000	15000	20
Annual turnover (\$m)	30	50	
Cups won	25	30	
Employees	65	45	
Non-current assets (\$m)	120	100	25
Market share measured by ticket revenue (%)	X	20	

(a) Explain the following terms:

- (i) profits (line 2) [3]
- (ii) above the line promotion (line 8). [3]

(b) (i) Assume LFC’s ticket revenue in 2011 is \$20m and total ticket revenue in LFC’s country is \$80m. Calculate LFC’s market share measured by ticket revenue (X in Table 2). [2]

(ii) Analyse BCU’s claim to be the country’s largest football club. Use the information in Table 2 in your answer. [6]

(c) Briefly analyse the advantages and disadvantages of each of the ways of increasing revenue (lines 6–9). [6]

(d) Evaluate the importance of leadership to LFC’s success. [10]

BUSINESS STUDIES

Paper 2

9707/22
November 2012

1 BizBank (BB)

Five senior managers of Family Bank are planning to leave the bank. They are worried that Family Bank focuses more on shareholder dividends than on the needs of the customers and the community. The five people consider themselves as entrepreneurs without futures at Family Bank but have ideas to start their own bank. They believe that between them they have the skills to make a success of a new bank. They aim to run the new bank as a social enterprise as well as make a profit. The bank will be a co-operative owned by the five people and by customers. 5

The new bank will be called BizBank (BB). It will operate with a narrower customer base than most other banks. BB will lend to small and medium sized enterprises in need of financial support which is unavailable from other banks. BB will encourage savers (often older people) to save with BB by offering both competitive interest rates and by involving them in the decisions about which businesses BB will lend to. BB will categorise each potential borrower in terms of risk and ability to repay the loan. 10

BB will:

- set up and monitor all loans and payments 15
- chase unpaid or late payments
- maintain records and provide information to customers
- charge a small joining fee to both savers and borrowers and a fee to borrowers on each loan.

BB will need to recruit 40 people including professional staff, general office staff, specialist information technology (IT) staff and unskilled workers. 20

BB will need to find suitable premises. There will need to be a very large investment in IT and telecommunications equipment. In addition to wages and rents, operating costs would include services (such as insurance and accountants) and utilities (such as electricity).

Hassan is one of the five managers. He is responsible for planning. Year 1 will be for setting the business up and it will operate fully in year 2. Hassan estimates that in year 1 it will take: 25

- 3 months for legally setting up the company, gaining a banking licence, finding premises and raising finance
- a further 3 months to recruit the necessary staff
- a further 3 months to get the IT systems working satisfactorily 30
- a further 3 months to build up a customer base.

For year 2 Hassan has made the forecasts shown in Table 1.

Table 1: Forecast financial information, year 2 (\$m)

Revenue	200	
Rents	40	35
Fixed assets	100	
Operating costs	20	
Other costs	10	
Current assets	5	

- (a) Explain the following terms:
- (i) social enterprise (lines 5–6) [3]
 - (ii) co-operative (line 6). [3]
- (b) (i) Calculate the forecast net profit for BB for year 2. Use Table 1 in your answer. [2]
- (ii) Briefly explain why cash flow could be a problem in the first two years for BB even though the business seems profitable in year 2. [4]
- (c) Analyse the recruitment difficulties that BB could experience in year 1. [8]
- (d) Discuss the extent to which e-commerce could be important to BB. [10]

2 King Kites (KK)

KK produces a range of commercial kites. These kites are used for checking weather and pollution levels in the atmosphere. Commercial kites usually carry equipment for recording information for use by scientists on the ground. These kites are individually designed and manufactured using CAD (computer aided design).

The Research and Development team at KK have developed a recreational (fun) kite designed for mass (high volume) production for final consumers. The kites will be able to use new technology to send photographs down to the user. New technology will also give greater control over the kite. The new kites will be called Robokites. 5

KK has done primary research into the recreational kite market. The Marketing Director wants to present the following results from the research. 10

Table 2: Important features of a kite in the recreational kite market (number of responses from final consumers)

	Important	unimportant	don't know	
Cost	26	3	1	
Performance	30	0	0	15
Colour	15	5	10	
Ease of use	18	2	10	
Strength	12	11	7	

KK's employees are highly skilled and well motivated. This has enabled KK's managers to use a laissez faire style of leadership. Producing Robokites will need the following changes in operations at KK. 20

- Greater co-operation between the design, production and marketing departments.
- Each designer will have less opportunity for individual design.
- More automation will be involved.

(a) Explain the following terms:

- (i) CAD (computer aided design) (line 4) [3]
- (ii) primary research (line 9). [3]

(b) (i) Briefly explain **one** sampling method appropriate for the primary research. [2]
 (ii) Briefly analyse the benefits of presenting the information in Table 2 as a graph/chart. [4]

(c) Analyse the factors that could influence the leadership style used by KK's managers if they decide to make Robokites. [8]

(d) Evaluate a suitable marketing mix that KK could use to launch Robokites. [10]

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BUSINESS STUDIES

Paper 2

9707/22
May/June 2013

1 Regal Restaurant (RR)

RR is owned and operated as a franchise. The franchisor is a large, foreign-owned international company, Special Foods (SF). RR provides fast service by selling a limited choice of food. This helps to keep prices low at RR. The restaurant specialises in seafood.

Basir, the franchisee, wants to increase RR's market share. He forecasts that RR's revenue for 2013 will increase by \$20 000 to \$200 000. He read in the financial newspapers that the total sales for restaurant food in the city is likely to be about \$10m in 2013.

5

RR mainly recruits university students. The students need the money and can work flexible hours. This has worked well but labour turnover has increased in the last year. Rose, who is responsible for staff, has identified the following factors that could explain the increase in labour turnover.

10

- The university has increasing numbers of foreign students who may not need a paid job.
- New food regulations are making working at the restaurant less fun.
- A competitor franchise has recently opened in the city.
- Newspaper reports stating that SF does not consider corporate responsibility when it purchases its seafood.
- A case of unfair dismissal brought by an employee who has left.

15

RR has to buy most of its ingredients from SF; however, it is allowed to buy some local seafood for special dishes. SF provides all of the systems for accounting, inventory control and above the line promotion. However, RR is able to do its own recruitment. RR can decorate its restaurant how it wants, subject to approval from SF.

20

(a) Explain the following terms:

- (i) corporate responsibility (line 15) [3]
- (ii) above the line promotion (line 20). [3]

(b) (i) Calculate RR's forecast market share for 2013. [2]

- (ii) Explain **two** disadvantages to RR of using market share as a measure of business performance. [4]

(c) Analyse the advantages and disadvantages to RR of operating as a franchise. [8]

(d) Evaluate methods that Rose could use to reduce the high labour turnover. [10]

2 Trendy Paints (TP)

TP is a partnership and so the partners do not have limited liability. TP manufactures special paints for industrial use such as painting aircraft in an airline’s colours. TP has one factory which uses a batch production system. This has been ideally suited to the specialised paints industry as each batch has a different colour and use.

Currently TP sells 50 million litres of paint each year. Most of the marketing is done through regular visits to industrial customers, such as airlines, with prices determined by negotiation.

5

TP’s competitors are all subsidiaries of large, international public limited companies. The competitors use new technology which means that their equipment can produce paints continuously, with the ‘click of a mouse’ changing the colour and packaging instantly.

Didi, TP’s Operations Director, proposes replacing the existing production system with new machinery similar to that used by competitors. He has prepared the following estimates.

10

Table 1: Cost information

	Existing system	Proposed new production system
Fixed costs per year	\$200m	\$300m
Average variable costs per litre	\$5	\$3

15

Emma, the Marketing Director, can see the opportunity to develop new markets. She thinks the aircraft paints would be particularly useful for general painting, for example on houses where severe weather conditions might damage ordinary paints. Entering the house paint market would mean selling to many more customers, perhaps using wholesalers.

(a) Explain the following terms:

- (i) limited liability (line 1) [3]
- (ii) wholesalers (line 19). [3]

(b) (i) TP sells its paints at an average price of \$10 per litre. Using Table 1, calculate the break-even level of production per year for TP’s proposed new production system. [3]

(ii) The annual break-even level for the existing production system is 40 million litres. Comment on the change in break-even if TP introduces the new production system. [3]

(c) Analyse why TP’s objectives could differ from those of its competitors. [8]

(d) Evaluate changes to the marketing mix if TP decides to enter the house paint market. [10]

BUSINESS STUDIES

Paper 2

9707/22

November 2013

1 Fizzy Drinks (FD)

FD is a large, family owned, private limited company that has three factories. FD produces 3 different soft drinks. Each factory manufactures and puts in bottles all three different soft drinks using batch production. The Production Director, Iqbal, wants to change the method of production to flow production. Each factory would then specialise in the production of just one of the soft drinks. This would mean Factory A would make Fizzy Cola, Factory B would make Fizzy Lemonade and Factory C would make Fizzy Orange.

5

Iqbal has calculated that there would be a substantial cost saving from not having to switch production from one batch to another. FD is expecting even larger orders for their soft drinks in the future.

Sharon, the Human Resources Director, understands the production benefits from flow production. However, she is worried about the impact on employees who like the variety of batch production. Employees are concerned about possible redundancies from the change.

10

The Finance Director, Pradeep, has just received the latest extracts from the financial accounts (see Table 1 and Table 2).

Table 1:
Extract from Income Statement

	\$000s
Revenue	2500
Cost of sales	1150
Gross profit	1350
Profit before tax	770
Retained profit	475

Table 2:
Extract from Balance Sheet

	\$000s
Non-current assets	2000
Current assets*	350
Current liabilities	200
Working capital	150
Net assets	2150
*includes inventory	75

15

20

The profit before tax has increased by 25% from last year and Pradeep knows that this will please the other directors who had set an objective to increase profit before tax by 20%. Pradeep knows that the directors are considering buying a fourth factory. This would require additional finance of nearly \$2 million. The directors plan to change FD into a public limited company.

25

- (a) Explain the following terms:
- (i) private limited company (line 1) [3]
 - (ii) non-current assets (line 18). [3]
- (b) (i) Refer to Table 2. Calculate the acid test ratio. [3]
- (ii) Explain **one** advantage to FD from setting an objective such as 'increase profit before tax by 20%' (line 25). [3]
- (c) Analyse the disadvantages to FD if it changes to a public limited company. [8]
- (d) Discuss whether FD should change to flow production method. [10]

2 School Sports Shop (SSS)

Business Studies students at the local secondary school are planning to set up a new business, called SSS. They have asked the Principal (Head Teacher) if they can set up a social enterprise selling the school sports uniform. Parents and students will be the target market. Currently, parents have to buy the uniform from an expensive local supplier. Any profit made by SSS will be invested back into improving the facilities for the students; for example, buying table tennis equipment. 5

The Principal is keen to encourage students to think about becoming entrepreneurs and has agreed to the proposal. The students have found a suitable location for the shop within the school. They have spent time painting it and fitting shelves. They have also decided to widen their product range to include school bags and stationery items such as notepads and folders. 10

There are twelve students involved in SSS and Jane has been voted as the Managing Director. Jane is organising job roles for the other students. She has asked Diwan to be the Marketing Director and to think of ideas to promote the new shop. Jane is worried that the promotional budget will be very limited. SSS was started with a loan of \$500 from the school. 15

Paula will be the student in charge of buying the products that will be sold in the shop. Paula has prepared the information shown in Table 3. This is the unit cost that SSS will have to pay the suppliers for each of their products. Paula knows that these costs are high because she is not ordering in large enough quantities to gain discounts.

Table 3: Unit cost for some products to be sold in the shop 20

School bag (plain black)	\$10
Sports jacket (variety of sizes)	\$35
Shorts (variety of sizes)	\$8
Sport socks (per pair)	\$6
Plastic folder (pack of 5)	\$7

25

Paula has suggested that SSS uses cost-based pricing but Jane is unsure because she worries that this may make the prices too high.

- (a) Explain the following terms:
 - (i) target market (lines 3–4) [3]
 - (ii) entrepreneurs (line 7). [3]
- (b) (i) Paula plans to add 20% to the unit cost of each item in order to calculate the selling price. Using Table 3, calculate the selling price for a sports jacket. [2]
- (ii) Using your answer from (b)(i), explain **two** disadvantages to SSS of using cost-based pricing. [4]
- (c) Analyse the advantages to SSS of being a social enterprise. [8]
- (d) Discuss suitable methods that Diwan could use to promote SSS. [10]

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BUSINESS STUDIES

Paper 2

9707/22
May/June 2014

1 Let's Make Music (LMM)

LMM is a private limited company. LMM manufactures electronic musical keyboards, for example electronic pianos, for the consumer market. LMM uses batch production to produce a range of products which have different:

- features such as reproducing the sounds of different instruments
 - designs (traditional and modern)
 - qualities to suit different price ranges.
- 5

LMM's customers are all in LMM's own country. Customers include professional musicians, schools which want cheap keyboards, and households which want small keyboards with few features. LMM's marketing focuses on the 4Ps.

LMM employs 54 people. Last year 12 people left the company. Reasons for leaving are shown in Table 1. 10

Table 1: Reasons for leaving LMM in 2013

Number leaving	Stated reason for leaving
2	Retirement
2	Better job elsewhere
4	Higher pay at a competitor
3	Lack of promotion opportunities at LMM
1	Have a baby

15

LMM are considering entering international markets. LMM would have to compete against large international electronics companies. Customers in other countries will have different requirements, particularly for 'after sales' customer service. To prepare for entering into the international market, LMM are considering changing from batch production to mass customisation (using Computer Aided Manufacturing [CAM]) and moving to a new location. 20

(a) Explain the following terms:

- (i)** consumer market (line 2) [3]
- (ii)** 4Ps (line 9). [3]

- (b) (i)** Calculate the labour turnover rate for 2013. [2]
- (ii)** Explain **one** suitable method for reducing labour turnover at LMM. [4]

(c) Discuss the likely impact on LMM's profits resulting from moving into international markets. [10]

(d) Analyse the likely impact on LMM's stakeholders of a change from batch production to mass customisation. [8]

2 Great Gifts (GG)

GG is a co-operative owned by its workers. GG manufactures souvenirs for tourists. The products are handmade using job production. Products are sold to retail outlets in shops popular with tourists. GG uses personal selling to promote its products to retail outlets. The souvenir market is highly competitive and fashions often change.

The people who work at GG accept low wages. Most of their income comes from sharing profits at the end of the year. 5

Because GG has very good relationships with its retailers, GG is able to use JIT (Just in Time) inventory control for its finished products.

Following 5 years of rapid growth in sales and profits, GG is planning to open its own shop. GG believes it will be successful as the number of tourists visiting the country is predicted to grow. GG will need \$50 000 to open the shop. Extracts from GG’s accounts for 2013 are shown in Table 2. 10

Table 2: Extracts from GG’s accounts 2013 (\$)

Profit (before tax) for the year	15 000	
End of year current assets	3 000	15
End of year current liabilities	2 000	
End of year non-current liabilities	0	
End of year cash available	500	
Non-current assets	20 000	

GG is managed by a Board of Directors elected once a year by the workers. Some of the workers are concerned that poor strategic decisions are being made by the Board. They also have concerns about the leadership style of the Managing Director, who: 20

- spends too much time trying to make people happy rather than solving problems
- responds to opinions rather than setting long term strategies
- fails to recognise threats to the business and does not see the need for new ideas 25
- takes decisions on votes rather than the merits of the arguments.

(a) Explain the following terms:

- (i) job production (line 2) [3]
- (ii) JIT (line 7). [3]

(b) Briefly analyse **one** advantage and **one** disadvantage to the employees of GG of being a co-operative. [6]

(c) With reference to Table 2, analyse possible sources of finance suitable for opening the new shop. [8]

(d) Evaluate the leadership style used by the Managing Director. [10]

BUSINESS STUDIES

Paper 2

9707/22
November 2014

1 Best Bakery (BB)

Paul and Tariq are in partnership together and they own 6 bakeries in different parts of the town. Each bakery is run by its own manager who leads a small team of employees. BB produces a large range of breads and cakes using both job and batch production.

At present, 5 of the bakeries are making a profit. Bakery X, managed by Helen, constantly exceeds its revenue and profit targets. This is mainly because Helen places a huge emphasis on quality and building a good relationship with customers. Paul and Tariq use a system of performance related pay for rewarding each of the managers. Last year, Helen received a bonus of \$2000 compared to the average of \$750. 5

Sarah manages Bakery Y and it is currently making a loss. Paul has been disappointed with Sarah’s attitude and her performance. Table 1 shows the revenue and gross profit margin for Bakery Y in September. 10

Table 1: Revenue and gross profit margin for Bakery Y in September

Revenue	\$12 000
Gross Profit Margin	24%

Sarah does not manage the batch production process effectively. As a result, inventory levels of finished products vary considerably. Sarah is frequently late for work and has a poor attendance record. Using BB’s disciplinary procedures, Paul has set up a meeting with Sarah to discuss these issues. Paul has also recently done some market research with Bakery Y’s customers and he established that: 15

- customers feel that the employees are unfriendly 20
- the quality of some of the products is poor
- the bakery runs out of some products, such as bread, by mid-morning.

(a) Explain the following terms:

- (i)** revenue (line 5). [3]
- (ii)** disciplinary procedures (line 17). [3]

- (b) (i)** Using Table 1, calculate the gross profit for Bakery Y in September. [3]
- (ii)** Explain **one** way that Bakery Y could increase its gross profit margin. [3]

(c) Analyse the advantages and disadvantages to BB of using batch production. [8]

(d) Evaluate the use of performance related pay to reward BB’s bakery managers. [10]

2 Helping The Children (HTC)

HTC is a charity in country X. The purpose of HTC is to reduce childhood poverty. The charity is led by Aziz who is supported by a strong team of managers, employees and volunteers. Aziz is described by the people he works with as being a strong leader with a high level of emotional intelligence.

HTC’s main business objectives have changed over time. 5

Original business objectives:

- small scale, local, short term projects, such as distributing food to local families
- financed by donations from individuals.

New business objectives:

- large scale, national, long term projects, such as building children’s hospitals 10
- financed by donations from individuals **and** businesses.

Aziz has noted in Table 2 below that the total donations from businesses are less than the target set.

Table 2: Actual monthly and target donations (\$000) for the last 6 months

	May	June	July	August	September	October	Total	15
Target	14	14	15	16	15	14	88	
Actual	12	11	14	13	12	12	74	

In country X unemployment is starting to fall. Businesses and individuals are expected to have the additional cash flow needed to support the work of charities. However, Aziz is also aware that several other charities are planning fundraising campaigns to achieve their own objectives. 20

In order to develop a new fundraising campaign for another children’s hospital, Aziz has decided to use a specialist market research company to find information from businesses and individuals about:

- how they make decisions about which charities to support 25
- whether or not they are aware of HTC and the work that it does
- whether or not they would consider making regular monthly donations to HTC.

(a) Explain the following terms:

- (i)** emotional intelligence (line 4) [3]
- (ii)** cash flow (line 19). [3]

(b) (i) Using the information in Table 2, calculate the percentage difference between the **total** actual donations and **total** target donations. [2]

(ii) Explain **two** possible reasons why the donations from businesses for HTC are below target. [4]

(c) Analyse the benefits to HTC of having clear business objectives. [8]

(d) Evaluate the usefulness to HTC of doing market research before developing a campaign to raise funds to build a new children’s hospital. [10]

BUSINESS STUDIES

Paper 2

9707/22
May/June 2015

1 Easy Television (ET)

ET is a private limited company in the tertiary sector. ET produces television (TV) programmes that it sells to a large number of broadcasting companies around the world. ET aims to produce unusual and challenging programmes as well as making profits for its shareholders.

ET produces a range of programmes which are shown in the following table.

5

Table 1: Data on the range of TV programmes produced

Type of programme	Typical cost to produce one episode (\$m)	Typical sales life	Popularity with viewers	Awards received in 2014
Quiz shows	1	4 years	1st	0
Documentaries	3	2 years	3rd	5
Science fiction	10	6 years	2nd	4
New innovative drama	20	1 year	4th	12

10

ET has been criticised in recent months for aiming its quiz shows at children. Critics, including teachers and parents, think that the content of the quiz shows is focused too much on winning rather than taking part, developing guessing rather than learning, and encouraging contestants to argue. The Government is considering changing the regulations for children’s programmes in response to the criticism. One TV broadcasting company has talked about cancelling contracts with ET in protest at these programmes.

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ET sells its documentaries to 16 TV broadcasting companies. A typical documentary costs \$3m to produce. The most recent estimates show that each TV broadcasting company will pay \$300 000 for a documentary programme. The direct cost of supplying each TV broadcasting company with the documentary is likely to be \$100 000 per company.

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An extract from the Chairman’s Statement in the latest Annual Report is shown below.

Figure 1: Extract from Chairman’s Statement

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Once again, I can report that we have won many awards for our original new dramas and our excellent documentaries. Critics praised us for giving new authors and actors their first big opportunity in television. This attracts a very big grant from the Government which wants to develop the arts in our country. Our documentaries are sold around the world and have a very high reputation. Our quiz shows continue to have increasing audiences, especially children. The recent press reports are simply scare tactics from our competitors – of course children should watch what they want to watch!

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Although revenues are down for the most recent 12 months, profits have been maintained through severe cost cutting, especially as a result of redundancies and reduced wages. As a result holders of equity in the business have received good returns on their investments.

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- (a) Explain the following terms:
- (i) direct cost (line 22) [3]
 - (ii) equity (line 35). [3]
- (b) (i) Calculate how many TV broadcasting companies need to buy a typical documentary in order for ET to break even (lines 20–23). [3]
- (ii) Briefly comment on the usefulness to ET of your answer to (b)(i). [3]
- (c) Analyse how ET could use portfolio analysis in planning for future programmes. Refer to Table 1. [8]
- (d) Evaluate how different stakeholders might respond to the Chairman’s Statement. [10]