

**Cambridge A& LEVEL 9609**

# **BUSINESS**

## **TOPICAL PAPER**

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

**A Level Topic wise past papers (P32)[2011-2020]****Compiled By: Sir SajjadHyder****Total Marks: 100****Time Allowed: 3 hour**

SECTION NAME:	TOPIC NAME	CASE STUDY NAME	YEAR	QUESTION NUMBER
SECTION 1:	1. BUSINESS STRUCTURE			
BUSINESS AND ITS ENVIRONMENT	2. SIZE OF BUSINESS	1. Global Conglomerate Company (GCC)	2012 M/J	Q 1
		2. Mbella Farms (MF)	2015 M/J	Q 4(b)
	3. EXTERNAL INFLUENCES ON BUSINESS ACTIVITY	1. FitsU	2011 M/J	Q 1
		2. Atlantic Steel Company (ASC)	2011 O/N	Q 1
		3. Building Supplies Limited (BSL)	2012 O/N	Q 5
		4. Mountain Tours (MT)	2013 M/J	Q 1
		5. Global Construction (GC)	2014 M/J	Q 1, Q 5[from AS also] Q 3,Q5
		6. Cameron Jet Engines (CJE)	2016 M/J	Q 3
		7. Marco Fishing Incorporated (MFI)	2016 O/N	Q 5
		8. Denali Adventures (DA)	2018 M/J	Q 3
9. South West Farming (SWF)	2019 M/J	Q 1		
	10. Asian Electric Vehicles (AEV)	2019 O/N		

**A Level Topic wise past papers (P32)[2011-2020]****Compiled By:****Sir SajjadHyder****Total Marks: 100****Time Allowed: 3 hour**

SECTION 2: PEOPLE IN ORGANISATIONS	1. FURTHER HUMAN RESOURCE MANAGEMENT	1. FitsU	2011 M/J	Q 5
		2. Atlantic Steel Company (ASC)	2011 O/N	Q 5
		3. Building Supplies Limited (BSL)	2012 O/N	Q 1 [AS- HRM]
		4. Mountain Tours (MT)	2013 M/J	Q 5
		5. Johnson Couriers and Logistics (JCL)	2013 O/N	Q 3
		6. Tintang Corporation (TC)	2014 O/N	Q 5
		7. Mbella Farms (MF)	2015 M/J	Q 1
		8. Cameron Jet Engines (CJE)	2016 M/J	Q 1
		9 Marco Fishing Incorporated (MFI)	2016 O/N	Q 1
		10. Marco Fishing Incorporated (MFI)	2016 O/N	Q 5
		11. Asian Domestic Products (ADP)	2017 O/N	Q 4
		12. Dart Leisure Resorts (DLR)	2018 O/N	Q 3
		13. Asian Electric Vehicles (AEV)	2019 O/N	Q 4

**A Level Topic wise past papers (P32)[2011-2020]****Compiled By:****Sir SajjadHyder****Total Marks: 100****Time Allowed: 3 hour**

	2.ORGANISATIONAL STRUCTURE	1. Genco Ovens (GO) 2. Hari Hotels (HH) 3. Denali Adventures (DA) 4. South West Farming (SWF) 5. Historic Buildings and Gardens (HBG)	2015 O/N 2017 M/J 2018 M/J  2019 M/J 2020 M/J	Q 5 Q 3 Q 1  Q 5 Q 3
	3. BUSINESS COMMUNICATION	1. Global Conglomerate Company (GCC)	2012 M/J	Q 3
SECTION 3: MARKETING	1. MARKETING PLANNING	1. Atlantic Steel Company (ASC) 2. Global Conglomerate Company (GCC) 3. Building Supplies Company (BSL) 4. Mountain Tours (MT) 5. Johnson Couriers and Logistics (JCL) 6. Tintang Corporation (TC) 7. Mbella Farms (MF) 8. Marco Fishing Incorporated (MFI) 9. Hari Hotels (HH) 10. Asian Domestic Products (ADP) 11. Denali Adventures (DA) 12. Dart Leisure Resorts (DLR) 13. South West Farming (SWF) 14. Asian Electric Vehicles (AEV) 15. Historic Buildings and Gardens (HBG)	2011 O/N 2012 M/J 2012 O/N 2013 M/J 2013 O/N 2014 O/N 2015 M/J 2016 O/N 2017 M/J 2017 O/N 2018 M/J 2018 O/N 2019 M/J 2019 O/N 2020 O/N	Q 4 Q 5 Q 3 Q 3 Q 4 Q 3 [AS] Q 3 Q 4 Q 5 Q 3 Q 4 Q 1 Q 4 Q 5 Q 5

## A Level Topic wise past papers (P32)[2011-2020]

**Compiled By: Sir SajjadHyder**

**Total Marks: 100**

**Time Allowed: 3 hour**

	2. GLOBALISATION AND INTERNATIONAL MARKETING	1. Genco Ovens (GO) 2. Hari Hotels (HH)	2015 O/N 2017 M/J	Q 3 Q 1
SECTION 4: OPERATIONS MANAGEMENT	1. OPERATIONS PLANNING			
	2. CAPACITY UTILISATION	1. Tintang Corporation (TC) 2. Mbella Farms (MF) 3. Cameron Jet Engines (CJE) 4. Dart Leisure Resorts (DLR) 5. Asian Electric Vehicles (AEV)	2014 O/N 2015 M/J 2016 M/J 2018 O/N 2019 O/N	Q 1 Q 2 Q 2 Q 4 Q 3
	3. LEAN PRODUCTION AND QUALITY MANAGEMENT	1. Asian Domestic Products (ADP) 2. Denali Adventures (DA) 3. South West Farming (SWF)	2017 O/N 2018 M/J 2019 M/J	Q 5 Q 3 Q 1
	4. PROJECT MANAGEMENT	1. Mountain Tours (MT) 2. Historic Buildings and Gardens (HBG)	2013 M/J 2020 M/J	Q 4 (a) [b-AS] Q 4
SECTION 5: FINANCE AND ACCOUNTING	1. COSTS	1. Global Conglomerate Company (GCC) 2. Historic Buildings and Gardens (HBG)	2012 M/J 2020 M/J	Q 4 Q 2
	2. BUDGETS	1. Atlantic Steel Company (ASC) 2. Genco Ovens (GO) 3. Asian Domestic Products (ADP)	2011 O/N 2015 O/N 2017 O/N	Q 2(a)(b) Q 4 Q 1

**A Level Topic wise past papers (P32)[2011-2020]****Compiled By:****Sir SajjadHyder****Total Marks: 100****Time Allowed: 3 hour**

3. CONTENTS OF PUBLISHED ACCOUNTS	1. Tintang Corporation (TC)	2014 O/N	Q 4
	2. Mbella Farms (MF)	2015 M/J	Q 5 [AS]
4.ANALYSIS OF PUBLISHED ACCOUNTS	3. Genco Ovens (GO)	2015 O/N	Q 2 [AS]
	4. Hari Hotels (HH)	2017 M/J	Q 2 [AS]
	5. Asian Domestic Products (ADP)	2017 O/N	Q 2(a)
	6. Dart Leisure Resorts (DLR)	2018 O/N	Q 2, Q 5
	7. Historic Buildings and Gardens (HBG)	2020 M/J	Q 1
	1. FitsU	2011 M/J	Q 3:(a) (b – AS– sources of finanace]
	2. Atlantic Steel Company (ASC)	2011 O/N	Q 3
	3. Global Conglomerate Company (GCC)	2012 M/J	Q 2
	4. Building Supplies Limited (BSL)	2012 O/N	Q 4
	5. Johnson Couriers and Logistics (JCL)	2013 O/N	Q 2 (a) [b- AS]
	6. Global Construction (GC)	2014 M/J	[Q 3 – AS sources of finance]
	7. Tintang Corporation (TC)	2014 O/N	Q 2
	8. Mbella Farms (MF)	2015 M/J	Q 4 (a)(i)(ii) [AS]
9. Genco Ovens (GO)	2015 O/N	Q 1	
10. Cameron Jet Engines (CJE)	2016 M/J	Q 4	
11. Hari Hotels (HH)	2017 M/J	Q 4	
12. Asian Domestic Products (ADP)	2017 O/N	Q 2(b)	
13. Denali Adventures (DA)	2018 M/J	Q 2	



**A Level Topic wise past papers (P32)[2011-2020]****Compiled By: Sir SajjadHyder****Total Marks: 100****Time Allowed: 3 hour**

		14. Asian Electric Vehicles (AEV)	2019 O/N	Q 2
	5. INVESTMENT APPRAISAL	1. FitsU 2. Building Supplies Limited. (BSL) 3. Mountain Tours (MT) 4. Johnson Couriers and Logistics (JCL) 5. Global Construction (GC) 6. Marco Fishing Incorporated (MFI) 7. South West Farming (SWF)	2011 M/J 2012 O/N 2013 M/J 2013 O/N 2014 M/J 2016 O/N 2019 M/J	Q 2 Q 2 Q 2 Q 5 Q 2(a) [b-also ref from section 3] Q 2 Q 2
SECTION: 6	1. WHAT IS STRATEGIC MANAGEMENT	1. Genco Ovens (GO) 2. Marco Fishing Incorporated (MFI)	2015 O/N 2016 O/N	Q 7 Q 7
	2. STRATEGIC ANALYSIS	1. FitsU 2. Johnson Couriers and Logistics (JCL) 3. Tintang Corporation (TC) 4. Genco Ovens (GO) 5. Asian Domestic Products (ADP) 6. South West Farming (SWF) 7. Historic Buildings and Gardens (HBG)	2011 M/J 2013 O/N 2014 O/N 2015 O/N 2017 O/N 2018 M/J 2020 M/J	Q 4 Q 7 Q 6 Q 6 Q 6 Q 6 Q 6

**A Level Topic wise past papers (P32)[2011-2020]****Compiled By: Sir SajjadHyder****Total Marks: 100****Time Allowed: 3 hour**

	3. STRATEGIC CHOICE	1. FitsU 2. Atlantic Steel Company (ASC) 3. Global Conglomerate Company (GCC) 4. Building Supplies Limited (BSL) 5. Mountain Tours (MT) 6. Johnson Couriers and Logistics (JCL) 7. Global Construction (GC) 8. Timtang Corporation (TC) 9. Mbella Farms (MF) 10. Cameron Jet Engines (CJE) 11. Hari Hotels (HH) 12. Denali Adventures (DA) 13. Dart Leisure Resorts (DLR) 14. Asian Electric Vehicles (AEV)	2011 M/J 2011 O/N 2012 M/J 2012 O/N 2013 M/J 2013 O/N 2014 M/J 2014 O/N 2015 M/J 2016 M/J 2017 M/J 2018 M/J 2018 O/N 2019 O/N	Q 6 Q 7 Q 6 Q 6 Q 6 Q 6 Q 4 Q 7 Q 6 Q 6 Q 6 Q 6 Q 7 Q 7
	4. STRATEGIC IMPLEMENTATION	1. FitsU 2. Global Conglomerate Company (GCC) 3. Building Supplies Limited (BSL) 4. Mountain Tours (MT) 5. Global Construction (GC) 6. Mbella Farms (MF) 7. Cameron Jet	2011 M/J 2012 M/J 2012 O/N 2013 M/J 2014 M/J 2015 M/J 2016 M/J	Q 7 Q 7 Q 7 Q 7 Q 6, Q 7 Q 7 Q7

**A Level Topic wise past papers (P32)[2011-2020]**

**Compiled By:**

**Sir SajjadHyder**

**Total Marks: 100**

**Time Allowed: 3 hour**

		Engines (CJE)		
		8. Marco Fishing Incorporated (MFI)	2016 O/N	Q 6
		9. Hari Hotels (HH)	2017 M/J	Q 7
		10. Asian Domestic Products (ADP)	2017 O/N	Q 7
		11. Denali Adventures (DA)	2018 M/J	Q 7
		12. Dart Leisure Resorts (DLR)	2018 O/N	Q 6
		13. South West Farming (SWF)	2019 M/J	Q 7
		14. Asian Electric Vehicles (AEV)	2019 O/N	Q 6
		15. Historic Buildings and Gardens (HBG)	2020 M/J	Q 7

**BUSINESS STUDIES Paper 32 May/June 2012****Global Conglomerate Company (GCC)**

Global Conglomerate Company (GCC) is one of Asia's fastest growing conglomerates. 30 years ago the Hussein brothers started selling used motor cars and they quickly acquired an existing city centre car retailer. This was followed by many other mergers and takeovers. GCC is now a widely diversified conglomerate with subsidiary businesses in the steel, car, transport, publishing, construction, education and food processing industries. GCC is a large public limited company and the Hussein brothers now own less than 50% of the total shares. However, two of the brothers are still on the Board of Directors. 5

**Shareholders unhappy with returns**

Last month's Annual General Meeting was not an easy one for the directors. The Board's strategy is 'investing for long term growth' to achieve the aim of 'long term shareholder value'. This was criticised by a large group of shareholders. Two comments from shareholders at the meeting were typical: 10

- 'Investing for the future by using this year's profits leaves less capital to pay out in dividends in the short term.'
- 'With the dividend yield and price earnings ratio falling, why should I keep my shares in GCC?' 15

Shareholders used an extract from the company accounts to support their views (see Appendix 1). The directors asked for more time for their strategy to achieve results and improve returns to shareholders. The Chairman Leo Hussein said: 'Profits are unlikely to be higher next year. We did not know that the global economic downturn would occur just as we were starting our 'investing for long term growth' strategy. I am sure that in 3 or 4 years' time the dividend and share price will go up'. 20

After a long debate the directors agreed to look at reducing retained profits to increase dividends in 2013 or selling off a division of the company to raise cash for a 'special' dividend payout. 25

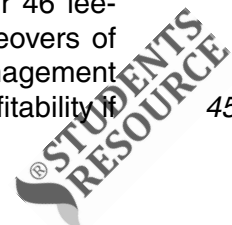
**Communication issues**

The global spread of GCC means that it now operates from 63 locations with 162000 employees. This has led to the use of many different forms of communication. There are barriers to effective communication, such as the use of many languages and differences in attitudes of workers and managers. Meetings of senior managers are difficult to arrange due to distances between business subsidiaries. Important communications from business subsidiaries are often not received quickly enough by directors at Head Office. 30

The removal of one layer of management in the motor car division did improve communication, but other divisions have not delayed their organisational structure. The Human Resources Director believes that information and communication technology is the answer to these problems. He wants all workers and managers to be issued with portable, Internet-linked computers. These would allow receipt of messages and sending of quick replies. He told the Board that 'a new computer based communication system and the greater use of video conferences' will solve GCC's communication problems. 35

**Education division – coordinated marketing strategy needed?** 40

The recession of 2009 and 2010 badly affected many of GCC's subsidiaries but the education subsidiary continued being successful. This subsidiary is responsible for 46 fee-paying schools in 4 countries. These schools were acquired by GCC through takeovers of education companies. Although this is a profitable subsidiary for GCC, a recent management consultant's report to the Board stated that there is 'great potential for increased profitability if the schools were marketed more effectively'. The report concluded as follows: 45



- Schools have different names. There is no indication that they belong to the GCC group.
- Some GCC schools charge high fees and some charge low fees. There is no common marketing objective for schools in the education subsidiary.
- The most successful schools offer Cambridge qualifications but some Principals (Head Teachers) in less popular schools have not heard of these. 50
- There is no coordinated promotion. Some schools advertise in local papers but others have no advertising budget.
- There are no contracts or links between GCC schools and the company's transport, food processing or publishing subsidiaries. Yet schools need all of these types of products and services. 55
- A new coordinated marketing strategy may be needed for the education division.

### School developments

The Managing Director of the education subsidiary, Sue Sharma, is planning to open a new school in a country that does not have any GCC schools. She has to decide between opening the school in either country A or country B. She has collected the data in Appendix 2 to help make this decision. The investment would be financed from retained profits of the whole GCC business because the surplus earned by the education subsidiary is not sufficient to finance the \$25m required. 60

Sue is also working on accounting data received from Assured High School (see Appendix 3). This school has been operating for six years but has never made a profit. Sue was keen to close the school but she realised this would lead to redundancies. She told the Board of Directors: 'If we close Assured High School we would increase the profits of the education subsidiary by \$436 000'. 65

### Planning for the future

The directors of GCC spend a lot of time discussing the company's long term objectives and plans. The success of GCC has been helped by the focus and structure these objectives and plans give the business managers. However, recent events have raised doubts about the usefulness and flexibility of GCC's corporate plans. The company was taken by surprise by the global economic downturn and did not respond quickly enough by changing its plans and strategies. GCC's subsidiaries have not yet responded to unforeseen increases in competition in the car and steel industries. 70  
75

The increasing consumer choice offered by e-commerce and Internet use has changed the nature of demand for published books. Publishing is another subsidiary of GCC that seems restricted by an inflexible long-term plan. 80

The current Chief Executive Officer of GCC, Ted Ali, is well aware of these problems. He recognises that, although corporate planning is very important for effective strategic management, many other factors will also determine GCC's future success.

## Appendix 1: Extract from GCC's accounts

	Year ending 31st May 2011	Year ending 31st May 2012
Net profit after tax	\$356m	\$320m
Total dividends paid	\$100m	\$70m
Total issued shares	500m	500m
Earnings per share	\$0.712	\$0.64
Dividend per share	\$0.20	\$0.14
Share price at 31st May	\$2.40	\$2.00
Dividend yield at 31st May	8.3%	See Question 2(a)
Price earnings ratio at 31st May	3.37	See Question 2(a)

85

90

## Appendix 2: Forecast economic data for country A and country B, 2013 (%)

	Country A	Country B
Annual GDP growth rate	3	6
Annual rate of inflation	4	8
Increase in real disposable incomes of high income consumers	6	8
Unemployment rate	9	5
Annual wage increase for teachers	4	7
Increase in population aged 5–18	3	1

95

100

## Appendix 3: Data to be used when deciding whether to close Assured High School

Students numbers 2011	345
Student numbers 2012	360
Total fee revenue 2011	\$1.035m
Average student fee 2012	\$2900
Total direct labour costs, e.g. teachers' salaries, 2012	\$0.85m
Other direct costs 2012	\$0.11m
Annual fixed building maintenance costs 2012	\$0.20m
Allocated share of education subsidiary overheads 2012	\$0.32m

105

**Section A**

Answer **all** questions in this section.

- 1 Analyse the benefits to GCC of being a widely diversified conglomerate. (Lines 4–5.) [10]
- 2 (a) Refer to Appendix 1. Calculate the following ratios as at 31st May 2012:
- (i) dividend yield [3]
  - (ii) price earnings ratio. [3]
- (b) Assess whether the directors of GCC should substantially increase dividends to shareholders. [14]
- 3 Discuss whether the ‘computer based communication system and the greater use of video conferences’ (lines 38–39) will solve the communication problems within GCC. [14]
- 4 (a) Refer to Appendix 3. Calculate the annual contribution for 2012 earned by Assured High School. [6]
- (b) Recommend whether Assured School should be closed or not. Justify your recommendation using your result to 4(a) and other relevant information. [14]
- 5 Recommend a marketing strategy for the GCC education subsidiary. Justify your recommendation. [16]

**Section B**

Answer **one** question from this section.

- 6 Sue Sharma must make the strategic choice between country A or country B for the location of the new school. Evaluate the extent to which the economic data in Appendix 2 is the most important information she should use when making this decision. [20]
- 7 Discuss the importance of corporate objectives and corporate planning to GCC’s future success. [20]

Page 2	Mark Scheme: Teachers' version	Syllabus	Paper
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1 Analyse the benefits to GCC of being a widely diversified conglomerate. (Lines 4-5) [10]

	Knowledge 3 marks	Application 3 marks	Analysis 4 marks
Level 2	3 marks Good knowledge shown of diversification and benefits e.g. definition + 2 benefits or 3 benefits.	3 marks Points well applied.	3–4 marks Good use of reasoned argument or theory to explain benefits of diversification.
Level 1	1–2 marks Knowledge shown of diversification and one benefit OR two benefits.	1–2 marks Some attempt to apply points or one point well applied.	1–2 marks Some use of reasoned argument or theory to explain benefits of diversification.

Answers could include:

- Diversification – business operates/own subsidiaries in a range of industries/markets – conglomerate. This knowledge might be implied from candidate's answer.
- Benefits: [For application marks these benefits must relate to the case.]
- Spread risks e.g. Application: education division not affected by global downturn but other divisions were. This allows the business to expand/become more profitable in some markets whilst other operations are affected by economic downturn.
- Cross-financing e.g. Application: profits from other divisions used for school expansion as the finance available from schools division were inadequate. This could help to reduce finance costs.
- Possible marketing/supplying links between divisions e.g. Application: schools might have bigger discounts on books bought from the GCC publishing division might increase profitability of schools; car manufacturing might benefit from supplies of GCC steel. Other links are possible too – some indications of vertical integration.

2 (a) Refer to Appendix 1. Calculate the following ratios as at 31st May 2012:

(i) Dividend yield [3]

Dividend per share / share price × 100 = Dividend yield % 1 mark

\$0.14 / \$2 = 2 marks

7.0% = 3 marks

(ii) Price earnings ratio [3]

Share price/earnings per share = 1 mark

\$2 / \$0.64 = 2 marks

3.125 = 3 marks



<b>Page 3</b>	<b>Mark Scheme: Teachers' version</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>GCE A LEVEL – May/June 2012</b>	<b>9707</b>	<b>32</b>

**(b) Assess whether the directors of GCC should substantially increase dividends to shareholders. [14]**

	Knowledge 2 marks	Application 2 marks	Analysis 5 marks	Evaluation 5 marks
Level 2	2 marks Good knowledge shown e.g. of dividends and changes to them/ ratio results/ importance/ how to increase them.	2 marks Points well applied.	3–5 marks Good use of reasoned argument or theory to explain likely impact of increasing/not increasing dividends.	3–5 marks Good judgement shown in answer and conclusion.
Level 1	1 mark Some knowledge shown.	1 mark Some attempt to apply answer to case.	1–2 marks Some use of reasoned argument or theory.	1–2 marks Some judgement shown in answer and/or conclusion.

Answers could include: [OFR important]

- Dividends much reduced – net profits fell but by lower proportion than dividend payout.
- Dividends are returns to shareholders and share price might fall if they are reduced.
- Div yield is very low and has fallen further so shareholders are receiving lower return based on current share price – despite share price falling.
- P/E falling despite share price falling.
- Shareholders seem to have a point – short termism or in for the long term gains from investment programme?
- Impact of raising dividends – reduced retained profits for future investment so future profits and returns to shareholders might be lower.
- Selling of a division of the business – would this really be necessary? – how advisable would this be? Would a high price be gained if world is recovering from a downturn? This is a low quality profit and may have little impact on share price.

Evaluation:

- Depends on next years profits – might be higher than expected if global economy improves.
- How likely are shareholders to sell their shares if dividends are not raised?
- Depends on dividend yield offered by similar investments.
- What proportion of shares do the Hussein's still own?

<b>Page 4</b>	<b>Mark Scheme: Teachers' version</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>GCE A LEVEL – May/June 2012</b>	<b>9707</b>	<b>32</b>

**3 Discuss whether the ‘computer based communication system and the greater use of video conferences’ (lines 38–39) will solve the communication problems within GCC. [14]**

	Knowledge 2 marks	Application 2 marks	Analysis 5 marks	Evaluation 5 marks
Level 2	2 marks Good knowledge shown of communication problems/barriers/how to overcome them/IT media.	2 marks Good application to case.	3–5 marks Good use of reasoned argument or theory to explain how method(s) suggested might reduce barriers or problems with media.	3–5 marks Good judgement shown in answer and conclusion.
Level 1	1 mark Some knowledge of communication shown.	1 mark Some application to case .	1–2 marks Some use of reasoned argument or theory to explain how method(s) suggested might reduce barriers or problems with media.	1–2 marks Some judgement shown in answer and/or conclusion.

Answers could include:

- Barriers to communication – prevent effective communication (sending, receiving and understanding of messages plus feedback).
- Barriers in this case result from:
  - Business size.
  - Number of divisions/countries the company operates in
  - Use of many media.
  - Different perceptions – “us and them”?
  - Structure too tall in some divisions?
  - Meetings not often held – may result in non contact one way communication methods.
- IT solution – will allow quicker/more accurate sending /receiving of messages and quick feedback.
- Video conferences – replace meetings or other existing methods – some attempt to provide visual communication.

Evaluation:

- IT plus video conferencing will help to some degree but communication problems may run deeper than this.
- Leadership style and organisational structure more important?
- How to overcome perception issue?
- Cost of IT and training and IT updates?
- Communication overload a real potential problem.
- Will video conferencing be a good substitute for face-to-face meetings?



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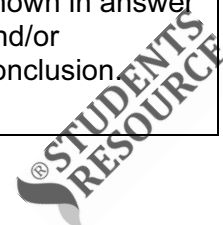
- 4 (a) Refer to Appendix 3. Calculate the annual contribution for 2012 earned by Assured High School. [6]

Ready Reckoner :

Result	Explanation	Mark
\$84 000	This is the contribution made by the school – Revenue less direct costs. Assumes fixed school costs are not direct.	6
(\$116 000)	Assumes fixed school costs are direct costs.	6
Correct revenue/direct cost total but incorrect result	Arithmetic error	5 (4 if 2 arithmetic errors)
\$75 000	Uses 2011 revenue	5
(\$436 000)	Assumes all fixed costs are direct costs of the school (must show working as given in case).	3
(\$236 000)	Only deducts overheads not maintenance costs.	2
\$1.044m	Revenue only calculated (+ cont formula = 2 marks)	1
SR-DC formula	Formula only.	1

- (b) Recommend whether Assured School should be closed or not. Justify your recommendation using your result to 4(a) and other relevant information. [14]

	Knowledge 2 marks	Application 2 marks	Analysis 5 marks	Evaluation 5 marks
Level 2	2 marks Good knowledge shown of result to 4(a) and other information.	2 marks Points well applied.	3–5 marks Good use of reasoned argument or theory to explain arguments for and against closure.	3–5 marks Good judgement shown in answer and conclusion.
Level 1	1 mark Some knowledge of result to 4(a) or other information shown.	1 mark Some attempt to apply answer to case.	1–2 marks Some use of reasoned argument or theory to explain arguments for/against closure.	1–2 marks Some judgement shown in answer and/or conclusion.



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Answers could include: [L1 An/Ev if no quantitative data used]

- Positive contribution adds to total profits of the education division – candidate may explain the assumption behind the 'fixed costs are/are not direct costs' assumption in 4(a) [OFR important].
- Negative contribution (e.g. if school maintenance costs are direct costs) lowers the total profits of the education division.
- Sue's figure is incorrect assuming that allocated overheads would still have to be paid by the rest of the education division.
- Is it possible to reduce maintenance costs/move to easier to maintain building?
- Total revenue has increased – because student numbers have risen BUT this may be because fees were reduced from \$3 000 to \$2 900.
- Only open for 6 years – need to look at previous years figures to see if financial performance is increasing?
- Impact on students? Bad PR.
- Impact on teachers? They may not want to move to the new school.

Evaluation:

- Prioritisation of the most important factor.
- Need to give school more time.
- Rising student numbers seems to be a key factor.
- Opportunities to cut direct costs e.g. cheaper books from GCCs publishing division?
- Overall conclusion needed for L2 evaluation.

5

	Knowledge 3 marks	Application 3 marks	Analysis 5 marks	Evaluation 5 marks
Level 2	3 marks Good knowledge of marketing issues/strategy.	3 marks Marketing strategy well applied to case.	3–5 marks Good use of reasoned argument or theory to explain marketing strategy.	3–5 marks Good judgement shown in answer and conclusion.
Level 1	1–2 marks Some knowledge of marketing issues/strategy.	1–2 marks Some attempt to apply marketing issues/strategy.	1–2 marks Some use of reasoned argument or theory to explain marketing strategy.	1–2 marks Some judgement shown in answer and/or conclusion.

Answers could include:

- Marketing strategy – plan to include marketing mix, marketing objectives, budget. Plan based on analysis such as SWOT. No coordinated strategy exists at present.
- Suggestions might be:
  - Marketing objective – to expand GCC education division profitably – or any similar statement.
  - Product – Cambridge courses in all schools, link with transport, food and publishing divisions to offer: cheaper books to students, better food and school transport. USP for GCC schools?
  - Price – High or low price strategy? Do all schools have to adopt the same price strategy? Depends on which segment of the market is being aimed for.
  - Place – This is being considered by Sue already but is there scope to offer some courses online? i.e. offer e-commerce with school courses!
  - Promotion – central budget needed to promote GCC schools as a unit – will lead to economies of scale for advertising.
- Coordination needed between the 4 Ps.
- Any reasonable marketing suggestion accepted within a 'school' context.

Evaluation:

- Shown through the importance of coordinated mix.
- Most important parts of the strategy.
- Importance of linking with other divisions.



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## Section B

Answer ONE question from this section

Questions 6 and 7 use this mark grid:

	Knowledge 3 marks	Application 3 marks	Analysis 4 marks	Evaluation 10 marks
Level 3				7–10 marks Good judgement shown in answer and conclusion.
Level 2	3 marks Good knowledge of issues shown.	3 marks Issues well applied to case.	3–4 marks Good use of reasoned argument or theory to explain answer.	4–6 marks Good judgement shown in answer or conclusion.
Level 1	1–2 marks Some knowledge of issues shown.	1–2 marks Some attempt to apply issue.	1–2 marks Some use of reasoned argument or theory to explain answer.	1–3 marks Some judgement shown in answer and/or conclusion.

- 6 Sue Sharma must make the strategic choice between country A or country B for the location of the new school. Evaluate the extent to which the economic data in Appendix 2 is the most important information she should use when making this decision. [20]

Answers could include:

- Strategic choice should be based on wide range of data and appropriate techniques.
- Economic data is important as it could affect revenue for the school – GDP growth, disposable income growth and population growth.
- It could also affect the costs of the school – inflation and teachers pay increases.
- So, it is important.
- Need to consider other factors – e.g. government grants; competition, supply of labour (or will teachers move from the Assured High School?).
- Decision making techniques too – investment appraisal (e.g. how long to pay back the \$25m capital cost).
- Decision trees – past data should be available to aid probabilities and payoff calculations.
- Five forces model – in which country is the competitive rivalry greatest?

Evaluation: [Of information not of location]

- Economic data useful but does not provide all the answers.
- Only forecasts for one year.
- More detailed analysis of the two alternatives needed before this important decision can be taken.
- Most important information is ...

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**7 Discuss the importance of corporate objectives and corporate planning to GCC's future success. [20]**

Answers could include:

- Objectives – long term aims of the business, expressed in SMART terms (should also be reflected in mission/vision statements).
- Corporate planning – the process of planning strategies to achieve long term aims.
- Aim: Increase shareholder value.
- Main strategy: Investment for long term growth.

Advantages:

- Provides focus and direction.
- Allows for MBO.
- Leads to greater coordination between different divisions.
- Should increase chances of appropriate strategies being selected.
- Can be used to refer back to in order to assess performance.
- Apply these points to GCC.

Evaluation:

- Inflexible plans – not able to quickly respond to global downturn or competitive and technological pressures.
- Time consuming.
- Better for each division to form own objectives? How important is it for GCC to dictate these.
- Other factors influencing success: global economy, increasing competition, forging closer links between divisions etc.
- On balance, any organisation of GCC's size must have plans and aims BUT there appears to be insufficient flexibility in the current GCC planning process.

**BUSINESS STUDIES Paper 32 November 2012****Building Supplies Limited (BSL)**

BSL is one of the largest suppliers of bricks, cement, sand, pipes and other materials needed by building firms in the country. It has 14 large warehouses located in industrial zones just outside of major cities. 92% of total sales (by value) are made to building firms. These are BSL's trade customers. 8% of total sales are to retail customers for repairing and decorating their own houses and apartments.

5

**Employee participation**

The senior managers of BSL encourage employee involvement in making tactical decisions and use two-way communication methods. Frequent team briefings and discussion groups are used within each warehouse. There is a Works Council to discuss issues of common employer/employee interest such as future investment plans. Some warehouse managers are positive about this participation. 'It helps to keep staff interested in what they are doing. They often suggest new products we can stock and we get better feedback from customers about our products and service through our sales staff' said one warehouse manager. Other managers are not so sure. 'The Works Council does not discuss pay and conditions. Some workers are only here for the money and often don't contribute to team briefings either. It's all a waste of time which could be spent cleaning the warehouses' was the opinion of another manager.

10

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**Delivery service proposal**

All trade customers have to pick up and transport the materials they buy at BSL. 'Pile it high and sell it cheap' was the original logo of BSL. Low prices mean that the company cannot afford to deliver the materials and still make a profit. However, the market is becoming more competitive. BSL surveyed 25 of its trade customers and 80% stated that they would buy more materials from BSL if delivery was included in the selling prices. Five building firms that are not BSL customers were also surveyed and they stated that the only reason they did not purchase from BSL was because it did not offer delivery.

20

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The Marketing Director argues that: 'We have to offer delivery and perhaps increase some of our prices to help cover the costs. Many builders are just too busy to stand in a queue and load their own supplies. If we ran a delivery service they could telephone or e-mail in their orders and we could deliver the same day. I have estimated the annual net cash flows from a delivery service based on buying second-hand vehicles with an expected life of 5 years.' See Appendix A.

30

**Marketing to retail customers**

'Sales staff tell us that retail customers do not enjoy shopping for building and decorating materials at BSL' the Marketing Director reported to the Board of Directors. 'They want a clean shop, helpful staff, attractive displays of a wide product range and informative advertising. BSL warehouses are not attractive places. They are designed to meet the needs of builders, carpenters and others in the building industry who know what products they want, purchase in high quantities and expect competitive prices. Trade customers do not care what the warehouses look like!'

35

40

A recent report in Customer Relationship Marketing magazine has identified two key factors retail customers want when shopping for building and decorating supplies:

- well-informed and helpful staff
- wide range of easy-to-use products.

45

The same report estimated two elasticity results for retail customers' demand:

- average price elasticity of demand for building and decorating products = -0.6
- advertising elasticity of demand for building and decorating products = 1.9

The Marketing Director has studied the report. His conclusion is: 'If we want to achieve our target share of 15% of the retail market we need to allocate our marketing budget of \$35000 very carefully. We could either build more attractive shops within the warehouses or spend more on promotion of the existing products to retail customers.' 50

### Information Technology (IT) system

Jean-Claude Raffaut, BSL's Chief Executive, claims proudly that he has never sent an e-mail! This preference for paper-based systems has recently been changing within BSL but not fast enough for the Operations Director, Anais Heron. 'There is so much potential for changing our processes and working practices by adopting information technology in all parts of our business' she argued recently at a Board meeting. 'I would like to propose we invest in a new IT system that links departments together. With this the accounting department could send out invoices and make payments electronically. Employee records could be transferred from paper documents. Marketing could be focused on the Internet. Ordering of supplies and inventory control would be aided by inventory control programs. We could cut jobs and encourage some administration staff to work from home.' 55  
60  
65

She was supported by the Human Resources Director. However he was more cautious. 'I agree with the operational benefits but the impact on staff recruitment and training will be huge. We will need to use Force Field analysis and other techniques to manage this change effectively and to get it accepted by staff. Many of our workers have been with us for many years and they do not like change.' 70

### External growth strategy

Rapid growth in sales and market share are BSL's main objectives. Until now this has been achieved by organic growth. Now the financial problems of a major competitor (ADC) have given BSL the chance to make a takeover bid and achieve external growth. ADC's share price has fallen recently to a record low level. The Finance Director issued a warning to the Board when the accounts of ADC were being analysed. 'ADC has recently sold and leased back some non-current assets. It has increased the life expectancy of other assets to 20 years, changing the annual depreciation expense. Also, inflation is rising and the macro-economic environment does not look good for at least two years. I have outlined some of the key differences between BSL and ADC to help us decide whether to submit a takeover bid for ADC.' (See Appendix B). 75  
80

### Fire disaster

Last week, one of BSL's warehouses was destroyed by fire. The large quantities of wood, glue and other inflammable materials meant that the fire service was unable to put the fire out quickly. All inventory, customer records and buildings have been destroyed. Local residents have complained of breathing problems as a result of the fire. The building and inventory had been under-insured and the insurance company representative was surprised by the lack of fire resistant walls and doors in the building. There had been no automatic water sprinkler system to put out the flames. It is estimated that it will take 3 months to rebuild the warehouse. Regular customers could not be contacted to tell them of alternative warehouse locations as all records have been lost and, not being IT-based, there were no copies. Jean-Claude is annoyed with himself: 'I had intended to begin contingency planning for our warehouses but I was distracted by all of the strategic decisions that need to be taken.' 85  
90  
95



**Appendix A: Marketing Director's estimates of net cash flows from delivery service proposal**

Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
(\$750 000)	\$200 000	\$250 000	\$350 000	\$400 000	\$400 000

Discount factors @10%

Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
1	0.91	0.83	0.75	0.68	0.62

**Appendix B: Comparison of key data for BSL and ADC**

<b>Summary accounting data as at 31 October 2012 (\$000)</b>	BSL	ADC
Capital employed	53000	32000
Non-current liabilities	15000	25000
Current assets	15600	5200
Inventories	9400	3000
Current liabilities	7600	6800
Net profit for year ending 31 October 2012	13000	1200
<b>Other information:</b>		
Acid test ratio	0.82	0.32
Gearing ratio	See question 4(a)	78%
Inventory turnover	3	6
Dividend yield (as at 31 October 2012)	7.5 %	1 %
Return on Capital Employed	24.5%	See question 4(a)
Market share	15%	4%
Market capitalisation (stock market value of all issued shares at 31 October 2012) (\$000)	55000	8000
Style of leadership	Democratic	Autocratic
Labour turnover (12 months to 31 October 2012)	5%	23%
Number of warehouses	14	6
Legal status	Public limited company	Public limited company

**Section A**

Answer **all** questions in this section.

- 1 Analyse the advantages for BSL of encouraging employee participation. [10]
- 2 (a) Refer to Appendix A. Calculate for the delivery service proposal the:
- (i) Average rate of return (ARR) [3]
  - (ii) Net Present Value (NPV). [3]
- (b) Discuss whether BSL should start a delivery service. Use your results from (a) and other information in your answer. [14]
- 3 Evaluate the key features of a marketing plan which BSL could use for increasing sales to the retail market. [14]
- 4 (a) Refer to Appendix B. Calculate the:
- (i) Return on Capital Employed (ROCE) for ADC [3]
  - (ii) gearing ratio for BSL. [3]
- (b) Assess the usefulness of ratio analysis of BSL's published accounts to any **two** of the company's stakeholder groups. Refer to Appendix B in your answer. [14]
- 5 Discuss the possible advantages and disadvantages to BSL of the proposed Information Technology (IT) system. [16]

**Section B**

Answer **one** question from this section.

- 6 Recommend whether BSL should make the strategic choice of taking over ADC. Justify your recommendation using data in Appendix B and other relevant information. [20]
- 7 Discuss the importance of contingency planning as part of a strategy BSL could adopt to achieve further success. [20]

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1 Analyse the advantages for BSL of encouraging employee participation. [10]

	Knowledge 3 marks	Application 3 marks	Analysis 4 marks
Level 2	3 marks 3 benefits OR 2 benefits and knowledge of employee participation	3 marks Well applied to case	3–4 marks Good use of theory or reasoning to explain points
Level 1	1–2 marks 1/2 benefit(s) OR 1 benefit and knowledge of employee participation	1–2 marks Some application to case	1–2 marks Some use of theory or reasoning to explain points

Answers could include:

- Participation/involvement gives workers the chance to engage in two-way communication, express their opinions and be involved in making decisions that affect them.
- Benefits: Motivation – if employees are motivated by non-monetary factors – some BSL managers seem unsure of this. Does this explain the low labour turnover?
- Better informed decision making – workers know what “it is really like”. Sales staff indicate new products to be stocked – useful for retailing project.
- Better feedback from customers – as warehouse staff can tell managers what customers are saying – important when BSL is considering developing more retail customer friendly environment.

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2 (a) Refer to Appendix A. Calculate for the delivery service proposal the:

(i) Average rate of return (ARR)

[3]

$$\text{ARR \%} = \frac{\text{Average annual profit}}{\text{Capital cost}} \times 100 \quad 1 \text{ mark}$$

$$= \frac{170,000}{750,000} \quad 2 \text{ marks}$$

$$= 22.67\% \quad 3 \text{ marks}$$

*ALSO award:*

42.66% 2 marks (no deduction of capital cost when calculating the average annual cash flow/profit)

*Alternative formula:*

$$\frac{\text{Average annual profit}}{\text{Average investment}} \times 100 \quad 1 \text{ mark}$$

$$\frac{170,000}{375,000} \quad 2 \text{ marks}$$

45.3% 3 marks (as the alternative formula for ARR has been correctly used)

85.3% 2 marks (alternative formula used but no deduction of capital cost in calculating the average annual cash flow/profit)

(ii) Net Present Value (NPV).

[3]

Year	NCF	Discount factor	Discounted cash flows	Marks
0	(750,000)	1	(750,000)	
1	200,000	0.91	182,000	
2	250,000	0.83	207,500	
3	350,000	0.75	262,500	
4	400,000	0.68	272,000	
5	400,000	0.62	248,000	[Up to 2 for method if NPV is understood e.g. \$1,172,000]
			422,000 = NPV	[3]

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**(b) Discuss whether BSL should start a delivery service. Use your results from (a) and other information in your answer. [14]**

	Knowledge 2 marks	Application 2 marks	Analysis 5 marks	Evaluation 5 marks
Level 2	2 marks 2 benefits and/or limitations OR 1 benefit/limitation and knowledge of results/techniques used in (a)	2 marks Well applied to case	3–5 marks Good use of theory or reasoning to explain points	3–5 marks Good evaluation shown in answer and conclusion
Level 1	1 mark 1 benefit/limitation OR knowledge of results/techniques used in (a)	1 mark Some application to case	1–2 marks Some use of theory or reasoning to explain points	1–2 marks Some judgement shown

Answers could include:

- Investment appraisal results look favourable (OFR).
- ARR is a long way ahead of current interest rates (e.g. as indicated by the discount factors used) – but will these be increased with fears over inflation?
- NPV measures the profit on the project in today’s money terms – this is high and positive so perhaps the deliveries project should be considered.
- But how do these results compare with other investment projects that the business could invest in?
- Payback is nearly 2 years 10 months – does the capital have to be borrowed? Is this too long to pay back interest on the loan?
- Other businesses seem to be offering deliveries and the market research data suggests that BSL is losing sales because of its current policy.

Evaluation:

- How reliable are the cash flow forecasts?
- Do they depend on how competitors will react? Do they charge for deliveries? Could they stop charging?
- Will BSL prices have to rise? What is the PED of trade customers?
- How much business is lost by not having a delivery service?

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- 3 Evaluate the key features of a marketing plan which BSL could use for increasing sales to the retail market. [14]

	Knowledge 2 marks	Application 2 marks	Analysis 5 marks	Evaluation 5 marks
Level 2	2 marks Good knowledge of main features of marketing plan	2 marks Well applied to case	3–5 marks Good use of theory or reasoning to explain points	3–5 marks Good evaluation shown in answer and conclusion
Level 1	1 mark Some knowledge of marketing plan	1 mark Some application to case	1–2 marks Some use of theory or reasoning to explain points	1–2 marks Some judgement shown

**Examiners' Note: L1 Analysis/Evaluation for marketing mix only answer.**

Answers could include:

- Marketing plan is a detailed report on a company's marketing strategy.
- BSL needs to refocus its strategy if it is to be successful in the retail market.
- Would completely new locations for retail customers be important? – BUT the cost of these might be prohibitive. If no new shops, how can the warehouses be made more appealing to retail customers?
- Raise prices to retail customers (PED seems to be inelastic) BUT how could a rise in warehouse prices to trade customers be avoided too? Is price discrimination possible?
- Promote more – AED seems to be elastic – BUT there must be careful choice of media and message to inform and persuade this market segment. Is the budget sufficient to achieve the level of communication with potential customers that will be required?
- Products – will retail customers need a wider range of products, perhaps sold in smaller packets/quantities?

Evaluation:

- Plan needs to be focused on the objectives of BSL, main features of the new mix must be coordinated and within budget.
- Is the marketing budget likely to be sufficient?
- Clear marketing objectives will be important for assessing the outcome of the plan.