



BUSINESS AND MANAGEMENT

9771/01

Paper 1 Business Concepts

May/June 2016

MARK SCHEME

Maximum Mark: 100

Published

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Section 1

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

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Section 2

21 (a) Calculate for location Y the:

(i) payback period [1]

3 years

(ii) net present value @ a 10% discount rate. [3]

£12.35m

Fails to subtract capital cost (£37.35m) (2)

Some appropriate use of discount factors (1)

(b) Using your results from 21(a) and other data, recommend to SWL which location should be chosen. Briefly justify your recommendation. [6]

	Knowledge 1 mark	Application 1 mark	Analysis 2 marks	Evaluation 2 marks
Level 1	1 mark Some knowledge of the concept	1 mark Some application to case	1–2 marks Some reasoning or use of theory to explain answer	1–2 marks Some judgement shown
Level 0	No rewardable content.			

Answers could include:

Application:

- Comment based on results to (a) (OFR)
- Comparison with location X
- Comment on any other quantitative data with reference to warehouse location e.g. distance from nearest airport

Analysis:

- Higher NPV for Y suggests that in today's value Y is more profitable but the cost is higher – need to compare ARR
- Quicker payback for X is useful for reducing interest costs and risk – but is it significant?
- Proximity to airport for Y could be important if overseas sales increase faster than UK sales

Evaluation:

- This data is inadequate to make a full recommendation e.g. interest rates, gearing ratio, qualitative factors
- Is company objective overall profitability? In which case Y might be preferred, but how reliable are the net cash flow data?
- Justified recommendation

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Questions 22, 23 and 24 use the following grid:

	Knowledge 2 marks	Application 2 marks	Analysis 3 marks	Evaluation 3 marks
Level 2	2 marks Good understanding of the concept/issue	2 marks Well applied to case	3 marks Relevant reasoning or use of theory to explain answer	3 marks Good judgement shown
Level 1	1 mark Some understanding of the concept/issue	1 mark Some application to the case	1-2 marks Limited reasoning shown	1-2 marks Some evaluation shown
Level 0	No rewardable content			

22 Evaluate the most cost effective ways to increase employee motivation at W3. [10]

Answers could include:

Knowledge:

- Financial and non-financial methods of motivation

Application:

- The problem might get worse once the closure/relocation is announced as job security might be reduced at W3
- Seems to be big imbalance between remuneration of unskilled employees and other employees. Is this deliberate 'hard HRM' policy?
- How important is it to this business that unskilled employees' turnover rates are high?

Analysis:

- Explaining how any one (or more) motivational method might improve motivation and reduce absenteeism and turnover. For example, job enrichment might allow workers to have more responsibility and limited decision making role, more feedback on performance and 'whole units of work'. Although training costs might rise, other costs might be reduced e.g. supervisors' salaries (fewer of them needed) and costs of recruitment.
- Profit sharing/share option scheme – these might increase employee loyalty in the long term – but how profitable is the business? Are owners prepared for share issues to lead to 'dilution of ownership'?
- Appropriate use of motivational theorists

Evaluation:

- What are the directors and HR director in particular prepared to accept in this case?
- More information would have been useful e.g. turnover and absenteeism rates in other warehouses and in similar businesses
- Are non-financial incentives likely to be effective with these employees?
- Could financial incentives lead to higher costs – and so not achieve the business aim?

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23 Advise the company on how to manage the employees' likely resistance to change resulting from the relocation. [10]

Answers could include:

Knowledge:

- Any references to change management or resistance to change

Application:

- Is 'divide and rule' approach supported by all of the directors?
- What proportion of existing employees have been with the business a long time?
- The impact this approach to managing change might have on job security and industrial relations at W3 and the new warehouse
- How many workers might be prepared to relocate if offered the chance?

Analysis:

- Labour costs might be low proportion of total costs so making all existing workers redundant and recruiting new workers at new location might be cheapest option – so the 'hard' approach could be supported by directors/owners
- 'Unskilled workers do not matter' – but how will this cultural approach damage the business in the long term, especially if they expand into direct customer services such as courier/delivery services
- Participation/involvement of staff/project champions/explaining reasons for move and how it might be managed to everyone's benefit
- Accept any theoretical model such as Kotter's change model

Evaluation:

- How important are existing employees to this relocation decision?
- Is the management culture too ingrained to change?
- Will delays caused by discussion with employees and trade union reps likely to lead to increased costs for the business?

24 Assess the importance of SWOT to the success of a marketing plan for SWL's proposed new courier and parcels service. [10]

Answers could include:

Knowledge:

- SWOT and its components
- Part of strategic analysis/marketing audit; 'where are we now'
- Other elements of marketing plan – SWOT is only a starting point

Application:

- Award one Application mark for SWOT analysis of existing business
- Other forms of analysis needed in this case e.g. market research for entering this new market
- Competitive market – other elements of the plan will need to be effective too if this new service is to succeed

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Analysis:

- SWOT can help identify key areas for improvement or key areas for future development
- There may well be a profitable opportunity for SWL in courier and parcels delivery service but SWOT is only setting the scene – detailed market analysis will also be required to ensure the marketing plan is appropriate

Evaluation:

- SWOT may well be an (essential) starting point for this diversified/integrated policy. It could highlight that the business does not have the key strengths required and this might prevent an expensive strategic error from being made.
- Other features of a marketing plan are just as important or even more so: realistic objective and budget for entering this new market; competitive pricing; high levels of customer service.

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Section 3

Questions 25–28 use the following grid:

	Knowledge 6 marks	Application 8 marks	Analysis 13 marks	Evaluation 13 marks
Level 3		7–8 marks Excellent application of most points to selected businesses	9–13 marks Extensive reasoning and use of theory to explain arguments	9–13 marks Extensive, high- quality judgement shown
Level 2	4–6 marks Good knowledge/ understanding shown	4–6 marks Points well applied to selected businesses	5–8 marks Good reasoning/use of theory to explain answer	5–8 marks Good judgement shown
Level 1	1–3 marks Some knowledge/ understanding shown	1–3 marks Some application of points	1–4 marks Some reasoning/use of theory to explain answer	1–4 marks Some judgement shown
Level 0	No rewardable content			

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25 'I am a great believer in luck and I find the harder I work the more I have of it.'
Thomas Jefferson

Discuss the importance of 'good luck' in the successful establishment of new enterprises. [40]

Answers could include:

Knowledge:

- Enterprise and entrepreneurs
- Key qualities of successful entrepreneurs
- Importance of business planning to new enterprises – don't leave it to luck!

Application:

- To candidate's own business examples

Analysis:

- Entrepreneurs require many skills and qualities – do they make their own luck by working hard?
- Explanation of how initiative, commitment, leadership etc. are important to successful new enterprises
- Good luck – starting a business when macro-economic conditions are favourable; invention of new product/process; failure of major potential competitor
- Bad luck – new competitors are more effective/powerful; macro economic conditions are adverse; natural disasters etc.

Evaluation:

- Quote suggests that entrepreneurs can make their own good luck – to what extent is this true?
- Is luck something that can be created by careful planning and research?
- Are external factors beyond the control of new enterprises more significant towards their success than factors within the entrepreneur's control?

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26 ‘BMW to invest a further £250m in MINI production in the UK.’

Evaluate the factors multinational businesses such as BMW should consider before making investments abroad.

[40]

Answers could include:

Knowledge:

- Nature of multinationals
- Investment abroad – main reasons why this is undertaken

Application:

- To candidate’s own business examples

Analysis:

MNC’s must consider many factors: Analysis of some of these required when making foreign investment decisions e.g. market conditions; political stability; trade barriers; local competition; exchange rates; membership of EU

Evaluation:

- Which factor(s) are likely to be of most importance in different situations?
- Is EU membership, for example, an essential pre-condition for BMW investment in the UK?

27 ‘Rather than relying on carefully window-dressed annual snapshots, investors and creditors should have access to a complete real-life picture of a company’s financial position.’ Robert Menendez (US Senator)

Evaluate the usefulness of a company’s published accounts to its stakeholders.

[40]

Answers could include:

Knowledge:

- Contents of published accounts: balance sheet; income statement; cash flow statement; chairman’s statement; CEO statement etc.

Application:

- To the candidate’s own business examples

Analysis:

- Investors/potential investors can analyse sales/profit/liquidity trends and calculate relevant ratios
- Investors can analyse profit/dividend performance and compare with other potential investments. May wish to vote against executive salary schemes if not related to business performance
- Suppliers/creditors can analyse liquidity/stability and calculate relevant ratios

Evaluation:

- Published accounts are produced annually (usually) and much can happen in 1 year
- Often out of date once published
- Backward looking – do not contain budgets/forecasts etc.
- Much less detailed than management accounts
- Can be window dressed to present a more positive short term view – e.g. banks’ balance sheets before/during the financial crisis

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28 Discuss strategies UK businesses could adopt in response to an ageing UK population. [40]

Answers could include:

Knowledge:

- Ageing population increases average age of consumers/workers and increases the dependency ratio

Application:

- To candidate's own business examples

Analysis:

- Different marketing strategies are possible e.g. develop wider range of products and services for older consumers
- Attract and retain older workers – impact on motivation and/or effectiveness
- Exporting of youth related products to take advantage of less ageing populations in other markets – cost of this option – would joint ventures be a solution?
- Other approaches possible

Evaluation:

- How much is population ageing and is it part of a long term trend?
- Is the actual number of younger consumers/workers falling or just in proportionate terms?
- Population changes in other countries?
- Depends on spending power of ageing consumers – how powerful is the grey pound?
- There may be a case for making few direct responses to an ageing population e.g. if product is equally purchased by all age groups