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**BUSINESS**

**9609/22**

Paper 2 Data Response

**March 2019**

MARK SCHEME

Maximum Mark: 60

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**Published**

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

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

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the March 2019 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

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This document consists of **17** printed pages.

**Generic Marking Principles**

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

**GENERIC MARKING PRINCIPLE 1:**

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

**GENERIC MARKING PRINCIPLE 2:**

Marks awarded are always **whole marks** (not half marks, or other fractions).

**GENERIC MARKING PRINCIPLE 3:**

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

**GENERIC MARKING PRINCIPLE 4:**

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

**GENERIC MARKING PRINCIPLE 5:**

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

**GENERIC MARKING PRINCIPLE 6:**

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Question	Answer	Marks																													
1(a)(i)	<p data-bbox="316 248 815 282"><b>Define the term ‘break-even’ (line 6)</b></p> <table border="1" data-bbox="320 315 1310 577"> <thead> <tr> <th data-bbox="320 315 1158 383">Knowledge</th> <th data-bbox="1158 315 1310 383">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 383 1158 450">A correct definition</td> <td data-bbox="1158 383 1310 450">2</td> </tr> <tr> <td data-bbox="320 450 1158 517">A partial, vague or unfocused definition</td> <td data-bbox="1158 450 1310 517">1</td> </tr> <tr> <td data-bbox="320 517 1158 577">No credible content</td> <td data-bbox="1158 517 1310 577">0</td> </tr> </tbody> </table> <p data-bbox="316 611 916 645">A correct definition should cover the following:</p> <ul data-bbox="373 647 1126 748" style="list-style-type: none"> <li>• expenditure (costs) and income (revenue) are equal</li> <li>• the level of sales/units where there is no profit or loss</li> <li>• <math>TR = TC</math></li> </ul> <table border="1" data-bbox="320 786 1310 1574"> <thead> <tr> <th data-bbox="320 786 855 853">Exemplar</th> <th data-bbox="855 786 1007 853">Marks</th> <th data-bbox="1007 786 1310 853">Rationale</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 853 855 981">When a business makes enough sales/revenue/income to cover all the costs</td> <td data-bbox="855 853 1007 981">2</td> <td data-bbox="1007 853 1310 981">Both elements covered</td> </tr> <tr> <td data-bbox="320 981 855 1081">TC = TR</td> <td data-bbox="855 981 1007 1081">2</td> <td data-bbox="1007 981 1310 1081">Both elements covered</td> </tr> <tr> <td data-bbox="320 1081 855 1211">Cost of sales is equal to sales revenue.</td> <td data-bbox="855 1081 1007 1211">1</td> <td data-bbox="1007 1081 1310 1211">No understanding of total costs (CoS only covers direct costs)</td> </tr> <tr> <td data-bbox="320 1211 855 1346">The business makes no profit or loss</td> <td data-bbox="855 1211 1007 1346">1</td> <td data-bbox="1007 1211 1310 1346">No understanding of the level of sales/units</td> </tr> <tr> <td data-bbox="320 1346 855 1476">The point at which a business stops making a loss and can start to make a profit</td> <td data-bbox="855 1346 1007 1476">1</td> <td data-bbox="1007 1346 1310 1476">No understanding of the level of sales/units</td> </tr> <tr> <td data-bbox="320 1476 855 1574">Where the business has made enough sales to have broken even.</td> <td data-bbox="855 1476 1007 1574">0</td> <td data-bbox="1007 1476 1310 1574">Tautological, no understanding</td> </tr> </tbody> </table>	Knowledge	Marks	A correct definition	2	A partial, vague or unfocused definition	1	No credible content	0	Exemplar	Marks	Rationale	When a business makes enough sales/revenue/income to cover all the costs	2	Both elements covered	TC = TR	2	Both elements covered	Cost of sales is equal to sales revenue.	1	No understanding of total costs (CoS only covers direct costs)	The business makes no profit or loss	1	No understanding of the level of sales/units	The point at which a business stops making a loss and can start to make a profit	1	No understanding of the level of sales/units	Where the business has made enough sales to have broken even.	0	Tautological, no understanding	2
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1(a)(ii)	<p><b>Briefly explain the term ‘value added’ (line 7).</b></p> <p>Award one mark for each point of explanation</p> <table border="1" data-bbox="317 383 1311 712"> <thead> <tr> <th></th> <th>Knowledge</th> <th>Marks</th> </tr> </thead> <tbody> <tr> <td>C</td> <td>Example or some other way of showing good understanding – e.g. refining raw materials, adding packaging etc., at different stages of production</td> <td>1</td> </tr> <tr> <td>B</td> <td>To a customer/leading to an increase in price</td> <td>1</td> </tr> <tr> <td>A</td> <td>The increase in worth of a product/service</td> <td>1</td> </tr> </tbody> </table> <table border="1" data-bbox="317 745 1311 1738"> <thead> <tr> <th>Exemplar</th> <th>Marks</th> <th>Rationale</th> </tr> </thead> <tbody> <tr> <td>Adding value is the process of increasing the worth of a good (A) to a customer (B), such as refining a raw material (C).</td> <td>3</td> <td>All three elements</td> </tr> <tr> <td>To increase how much a business can charge for of a good (A+B) at each stage of production (C)</td> <td>3</td> <td>All three elements ‘Can charge’ suggests more than just an increase in price – there is an element of value here.</td> </tr> <tr> <td>The difference between the cost of a good to produce and the price at which it is sold (A+B).</td> <td>2</td> <td>A and B</td> </tr> <tr> <td>Increase the worth of a good (1) at each stage of production (C)</td> <td>2</td> <td>A and C – ‘customer expectations’ is taken from the case study</td> </tr> <tr> <td>To increase the selling price of a product (B)</td> <td>1</td> <td>This is just about increasing price, not value</td> </tr> <tr> <td>To add value to a product</td> <td>0</td> <td>tautological</td> </tr> </tbody> </table>		Knowledge	Marks	C	Example or some other way of showing good understanding – e.g. refining raw materials, adding packaging etc., at different stages of production	1	B	To a customer/leading to an increase in price	1	A	The increase in worth of a product/service	1	Exemplar	Marks	Rationale	Adding value is the process of increasing the worth of a good (A) to a customer (B), such as refining a raw material (C).	3	All three elements	To increase how much a business can charge for of a good (A+B) at each stage of production (C)	3	All three elements ‘Can charge’ suggests more than just an increase in price – there is an element of value here.	The difference between the cost of a good to produce and the price at which it is sold (A+B).	2	A and B	Increase the worth of a good (1) at each stage of production (C)	2	A and C – ‘customer expectations’ is taken from the case study	To increase the selling price of a product (B)	1	This is just about increasing price, not value	To add value to a product	0	tautological	<b>3</b>
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Question	Answer			Marks
1(b)(i)	<b>Answer</b>	<b>Rationale</b>	<b>Marks</b>	
	60 (no working)	Correct answer – accept without %	3	
	$\frac{90\,000}{150\,000} = 0.6$	Not made into a % (one mistake)	2	
	0.6 (no working)	Wrong answer with no working to support the answer	0	
	$\frac{90\,000}{300\,000} \times 100 = 30\%$	Not calculated revenue – left as output (one mistake)	2	
	30% (no working)	Wrong answer with no working to support the answer	0	
	\$90 000	Correct calculation of gross profit – <i>allow even if there is no working</i>	1	
	\$150 000	Correct calculation of revenue – <i>allow even if there is no working</i>	1	
	\$90 000 and \$150 000	Correct calculation of gross profit and revenue	2	
	$\frac{240\,000}{300\,000} \times 100 = 80\%$	Not correctly calculated GP or revenue (two mistakes)	1	
	$\frac{40\,000}{150\,000} \times 100 = 26.67\%$	Added expenses to the CoGS (1 mistake)	2	
$100 + 50 + 60 = 210$ $150 - 210 = -60$ (net loss) $\frac{-60}{150} \times 100 = -40\%$	Has added all costs (including start-up costs), and then has the correct process (OFR). Two mistakes (using all costs and adding start-up costs) but correct process	1		

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Question	Answer				Marks
1(c)	<b>Recommend which option Jim should choose using the information in the case study. Justify your view.</b>				<b>11</b>
	<b>Knowledge and Application (4 marks)</b>	<b>Marks</b>	<b>Analysis and Evaluation (7 marks)</b>	<b>Marks</b>	
			A justified recommendation based on a developed argument of <b>both</b> options	7	
			A developed recommendation based on a developed argument of <b>both</b> options	6	
			A basic recommendation/ judgement based on a developed argument of <b>both</b> options	5	
	Shows understanding of Option 1 (healthy snacks) <b>and</b> Option 2 (healthy cooking oil)	4	Developed argument based on the impact on JF of choosing Option 1 (healthy snacks) <b>and</b> Option 2 (healthy cooking oil)	4	
	Shows understanding of Option 1 (healthy snacks) <b>or</b> Option 2 (healthy cooking oil)	3	Developed argument based on the impact on JF of choosing Option 1 (healthy snacks) <b>or</b> Option 2 (healthy cooking oil)	3	
	Shows knowledge of product development	1-2	Limited analysis of product development	2	
			Limited analysis of Product development	1	
	No creditable content			0	



Question	Answer	Marks
1(c)	<p>Content:</p> <p><b>Option 1 (healthy snacks)</b></p> <ul style="list-style-type: none"> <li>• A new market opportunity for JF but no experience of marketing/selling these healthy snacks</li> <li>• Mass market – high sales but possibility of high competition</li> <li>• A growth market (10%) but less than Healthy cooking oil (15%)</li> <li>• Society sees this as an important issue – good publicity for JF</li> <li>• High price can be charged for a quality product</li> <li>• Can JF produce this product?</li> <li>• Will the supermarkets purchase from JF?</li> <li>• Higher start up costs (\$100 000) than Healthy cooking oil (\$75 000)</li> <li>• Higher expenses (\$50 000) than healthy cooking oil (\$75 000)</li> <li>• Lower CoGS (\$60 000) than healthy cooking oil (\$75,000)</li> <li>• Forecast sales higher (300 000) than healthy cooking oil (100 000)</li> <li>• Lower price (\$0.50) than healthy cooking oil (\$2.00)</li> <li>• Lower forecast revenue (\$150 000) than healthy cooking oil (\$200 000)</li> <li>• Lower GPM (60%) than healthy cooking oil (62.5%)</li> <li>• Lower NPM (26.7%) than healthy cooking oil (45%)</li> <li>• Forecast to make a loss (–\$60 000) in Year 1 compared to profit of healthy cooking oil (+£15 000)</li> </ul> <p><b>Option 2 (healthy cooking oil)</b></p> <ul style="list-style-type: none"> <li>• Synergy with JF’s current product range</li> <li>• Lower start up capital required (\$75 000) than Healthy snacks (\$100 000)</li> <li>• Lower fixed costs/annual expenses (\$35 000) than Healthy snacks (\$50 000)</li> <li>• Higher forecast market growth (15%) than Healthy snacks (10%)</li> <li>• A development from what JF already produces – less risk</li> <li>• Attracts high income consumers/customers</li> <li>• High price can be charged (\$2) than Healthy snacks (\$0.50)</li> <li>• Could enhance JF’s image</li> <li>• JF already has a link to distribution through supermarkets</li> </ul> <p><b>ARA</b></p>	

Question	Answer				Marks
1(d)	<b>Analyse two suitable sources of finance JF could use for the option you have chosen in 1(c)</b>				<b>8</b>
	<b>Level</b>	<b>Knowledge and application (4 marks)</b>	<b>Mark</b>	<b>Analysis (4 marks)</b>	<b>Mark</b>
	2b	Shows understanding of <b>two suitable</b> sources of finance in context	4	Developed analysis of <b>two suitable</b> sources of finance in context	4
	2a	Shows understanding of <b>one suitable</b> source of finance in context	3	Developed analysis of <b>one suitable</b> sources of finance in context	3
	1	Shows knowledge of <b>two</b> sources of finance	2	Limited analysis of <b>two</b> sources of finance	2
		Shows knowledge of <b>one</b> source of finance	1	Limited analysis of <b>one</b> sources of finance	1
	0	No creditable content			0
	<p><b>Answers could include:</b></p> <ul style="list-style-type: none"> <li>• Long term loan to pay for the fixed costs of milling/bottling etc.</li> <li>• Re-mortgaging/extending the mortgage on the farm</li> <li>• Attracting new shareholders into the farm (<i>Note: JF is a Ltd</i>)</li> <li>• Leasing/HP for additional machinery</li> <li>• Overdrafts for the short term variable costs</li> <li>• Trade credit for short term variable costs</li> </ul> <p><b>Any answer which mixes a long term solution for a short term problem should not be classed as suitable.</b></p>				

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2(b)(i)	<p><b>SSR uses cost-based pricing to add 60% to variable costs when pricing each meal.</b></p> <p><b>Refer to Table 2.1. Calculate the average price of each meal in the proposed <u>city centre</u> restaurant.</b></p> <table border="1"> <thead> <tr> <th>Level</th> <th>Rationale</th> <th>Marks</th> </tr> </thead> <tbody> <tr> <td>2 (APP)</td> <td>Correct calculation (<b>with or without working and/or \$</b>)</td> <td>3</td> </tr> <tr> <td>1b (KK)</td> <td>Correct process</td> <td>2</td> </tr> <tr> <td>1a (K)</td> <td>Correct formula or correct calculation of VC (\$3.75)</td> <td>1</td> </tr> <tr> <td>0 mark</td> <td>No credible content</td> <td>0</td> </tr> </tbody> </table> <p>Total price = Total variable costs × 1 + mark-up (1)  <b>OR</b>  <math display="block">\frac{\text{Total variable costs}}{100} \times 60 + \text{TVC} \quad (1)</math></p> <p><i>Allow any reasonable formula</i></p> <p>City Centre = (\$1.50 + \$2.25) = \$3.75 (1) × 1.6 (1)  <b>= \$6.00 (3)</b></p> <p>Allow full marks for a correct answer with or without working or \$ (3)</p> <p>Common incorrect/incomplete answers</p> <table border="1"> <thead> <tr> <th>Answer</th> <th>Mark</th> <th>Rationale</th> </tr> </thead> <tbody> <tr> <td>\$6</td> <td>3</td> <td>Correct answer</td> </tr> <tr> <td>(\$1.50 + \$1.30) × 1.6 = \$4.48</td> <td>2</td> <td>Edge of city figures (correct process but wrong figures – one mistake)</td> </tr> <tr> <td>\$4.48 (no working)</td> <td>0</td> <td>Incorrect answer</td> </tr> <tr> <td>60% of \$3.75 = \$2.25</td> <td>2</td> <td>Correct calculation of VC and mark up</td> </tr> <tr> <td>\$2.25 (no working)</td> <td>0</td> <td>An incorrect answer with no working</td> </tr> <tr> <td>Total variable costs × 1.6</td> <td>1</td> <td>Correct formula</td> </tr> <tr> <td>\$5.50 × 1.6 = \$8.80</td> <td>1</td> <td>Used price not VC but process is correct</td> </tr> <tr> <td></td> <td>0</td> <td>No creditable content</td> </tr> </tbody> </table>	Level	Rationale	Marks	2 (APP)	Correct calculation ( <b>with or without working and/or \$</b> )	3	1b (KK)	Correct process	2	1a (K)	Correct formula or correct calculation of VC (\$3.75)	1	0 mark	No credible content	0	Answer	Mark	Rationale	\$6	3	Correct answer	(\$1.50 + \$1.30) × 1.6 = \$4.48	2	Edge of city figures (correct process but wrong figures – one mistake)	\$4.48 (no working)	0	Incorrect answer	60% of \$3.75 = \$2.25	2	Correct calculation of VC and mark up	\$2.25 (no working)	0	An incorrect answer with no working	Total variable costs × 1.6	1	Correct formula	\$5.50 × 1.6 = \$8.80	1	Used price not VC but process is correct		0	No creditable content	3
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2(b)(ii)	<b>Briefly explain <u>one</u> advantage to SSR of using cost-based pricing.</b>			<b>3</b>
<b>Level</b>		<b>Knowledge and Application</b>	<b>Marks</b>	
2 (APP)		Explanation of 1 or more advantages to SSR of using cost-based pricing	3	
1b (KK)		Explanation of 1 or more generic advantages of cost based pricing	2	
1a (K)		Knowledge of cost based pricing	1	
0		No creditable content	0	
<p>Context is likely to come from:</p> <ul style="list-style-type: none"> <li>• Food is seasonal and prices change so ensures a suitable profit margin is kept</li> <li>• Customers are happy that they are paying reasonable prices based on what they are eating/ not being charged premium prices</li> </ul>				

Question	Answer				Marks
2(c)	<b>Analyse <u>two</u> possible impacts on stakeholders of SSR if the second restaurant is successful.</b>				<b>8</b>
	<b>Level</b>	<b>Knowledge and application</b>	<b>Marks</b>	<b>Analysis</b>	<b>Marks</b>
	2	Shows knowledge of two stakeholders in context	4	Developed analysis of two impacts of success of the second restaurant on two stakeholder groups in context	4
		Shows knowledge of one stakeholder in context	3	Developed analysis of one impact of success of the second restaurant on one stakeholder group in context	3
	1	Shows knowledge of two stakeholder groups	2	Limited analysis of two impacts of success on two stakeholder groups	2
		Shows knowledge of one stakeholder group	1	Limited analysis of one impact of success on one stakeholder group	1
	0	No creditable content			0
<p><b>Note: Do not allow analysis of the impact on any stakeholder group of the factors in Tables 2.1 and 2.2. This question is about the impact of <b>SUCCESS</b> not the location.</b></p>					
<p>Major stakeholders: customers, local education provider, local government, employees, competition, investors, suppliers, job centre (any reasonable answer accepted)</p>					
<p>Contextual analysis likely to come from:</p> <ul style="list-style-type: none"> <li>• Government – increased size of training scheme impacts on jobless figures which is good for job seekers payments</li> <li>• Customers – more seating/bigger restaurant means more availability for local customers means lower waiting time</li> <li>• Employees – more jobs means that more young people will be able to work and gain new skills leading to better chances of gaining future employment</li> <li>• Suppliers – two successful restaurants lead to more orders and in turn increased profit.</li> </ul>					

Question	Answer				Marks																																				
2(d)	<b>Recommend which location SSR should choose for its second restaurant. Justify your recommendation.</b>				<b>11</b>																																				
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2(d)	<p>Content/context and analysis:</p> <p><b>City Centre:</b></p> <ul style="list-style-type: none"> <li>• Already has restaurant layout &gt; less initial investment but no personal touch?</li> <li>• Competition from established restaurants &gt; might reduce custom but a popular location for new customers?</li> <li>• Lack of parking &gt; might impact on ability of people to visit but may be well serviced by public transport</li> <li>• Higher average price per mean – \$6</li> <li>• Higher sales revenue per month = \$6000</li> <li>• Higher net profit per month = \$1750</li> </ul> <p><b>Edge of city:</b></p> <ul style="list-style-type: none"> <li>• Permission to convert &gt; can create personalised style but expensive</li> <li>• Location has fewer potential customers but less competition – captive audience</li> <li>• Lower monthly fixed costs – less pressure on the finances</li> <li>• Lower average price per mean – \$4.48 – better for a social enterprise?</li> <li>• Lower forecast sales revenue per month = \$3360</li> <li>• Lower forecast (net) profit per month = \$885</li> </ul>	