Cambridge International Examinations
Cambridge International Advanced Subsidiary and Advanced Level

BUSINESS STUDIES **9707/22**

Paper 2 Data Response **May/June 2014**

1 hour 30 minutes

No Additional Materials are required.

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READ THESE INSTRUCTIONS FIRST

An answer booklet is provided inside this question paper. You should follow the instructions on the front cover of the answer booklet. If you need additional answer paper ask the invigilator for a continuation booklet.

Answer **all** questions.
The businesses described in this question paper are entirely fictitious.
The number of marks is given in brackets [ ] at the end of each question or part question.

This document consists of **3** printed pages, **1** blank page and **1** insert.

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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.

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.

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

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.

(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.

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.

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

Profit (before tax) for the year	15 000
End of year current assets	3 000
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:

- 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
- 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]

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