



**Cambridge International Examinations**  
Cambridge International General Certificate of Secondary Education (9–1)

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**BUSINESS STUDIES**

**0986/02**

Paper 2

**For examination from 2019**

MARK SCHEME

Maximum Mark: 80

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**Specimen**

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This document consists of **11** printed pages and **1** blank page.

## General Marking Guidance

- Marking should be positive: marks should not be subtracted for errors or inaccuracies.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.
- Errors that are carried forward (e.g. when an incorrect numerical answer to one part of a question is used as the starting point for a calculation in the next part of the question) should not be compounded - use the 'own figure rule'.
- Poor spelling, handwriting or grammar should not be penalised as long as the answer makes sense.
- Answers that are not written on the answer lines should be marked.
- 'L1', 'L2' and 'L3' should be used to indicate the level being awarded to a response. 'Ap' should be used to indicate where the application marks are being awarded.
- A blank space, dash, question mark and a response that bears no relation to the question constitutes a 'no response'.

***This mark scheme includes a summary of appropriate content for answering each question. It should be emphasised, however, that this material is for illustrative purposes and is not intended to provide a definitive guide to acceptable answers. It is quite possible that among the scripts there will be some candidate answers that are not covered directly by the content of this mark scheme. In such cases, professional judgement should be exercised in assessing the merits of the answer and the senior examiners should be consulted if further guidance is required.***

***Examples of possible answers are also included in this mark scheme. Again, it should be emphasised that this is for illustrative purposes and the examples chosen represent only some of the many possible responses that would merit reward.***

***Application marks are not awarded for the name of the business or person from the case material. Application is by answering in the context of the case or by using the information in the case to help answer the question.***

The following abbreviations are used in the mark scheme to indicate marks awarded for knowledge, application and analysis:

- [k] – Knowledge
- [ap] – Application
- [an] – Analysis

- 1 (a) **One of the business objectives of Bimisi Buses is higher profits. Identify and explain two other objectives Bimisi might have for the business.** [8]

Knowledge [2 × 1] – award one mark for each relevant objective identified

Analysis [2 × 1] – award one mark for a relevant explanation for each objective

Application [2 × 2] – award two application marks for each relevant objective

Relevant objectives might include:

- to survive
- to increase market share
- to be more competitive
- to grow/expand
- to increase sales
- to reduce costs
- to improve reputation
- to improve customer service **or** reduce customer complaints

e.g.:

To expand the business [k] Bimisi will increase the number of buses the business owns and bus routes it operates [ap]. This could lead to an increase in sales revenue and possibly profit [an]. Higher profits would mean the business could then pay shareholders higher dividends, which would keep the family happy [ap].

Application marks may be awarded for appropriate use of the following:  
buses, tourism, bus routes, training bus drivers, tourist guides, trade unions, new routes, school children, hotels, transport workers, bus companies, shareholders.

Any of these, or other examples, might be developed in the answer to be worth two application marks.

- (b) **Bimisi wants to increase the profit margins of the business. Using Appendix 1, identify and explain three ways in which he might achieve this. Justify the best way for Bimisi to increase profit margins.** [12]

Relevant ways might include:

- reduce costs (variable and/or fixed costs)
- change prices (increase gross profit margin)
- increase revenue (by increasing sales)
- invest in new technology (such as more fuel-efficient buses)
- reduce school use and increase business use (as higher gross profit margin 50% from business use instead of 37.5% from school use)

Credit may be given for the correct use of figures taken from the Insert to support explanations. E.g.:

Gross profit margin 2011 = 50% both activities

2012 = 42.5% (total) or 50% business use and 37.5% school use

Gross profit 2011 = \$1500 and 2012 = \$1700

Profit margin 2011 = 20% and 2012 = 20%

Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

Level	Knowledge/Analysis/Evaluation
3	7–10 marks Well justified recommendation as to the best way to increase profitability/profits.
2	4–6 marks Detailed discussion of ways to increase profitability/profits. Also reward profitability ratios if calculated.
1	1–3 marks Outline of how to increase profitability/profits.
0	Zero marks. No creditworthy response.

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. Bimisi can make more profits by reducing variable costs.

Level 2 – one L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. Bimisi can make more profits by reducing variable costs. If the running costs, such as fuel, of the buses are purchased for a lower price then the total variable costs will fall and the profit made on each bus journey will increase. (4 marks for L2 answer + 1 application mark for mentioning bus running costs such as fuel).

Level 3 – For L3 to be awarded there need to be at least two L2 marks awarded and then a recommendation which justifies which is the best way. The best way for Bimisi to increase profits is to reduce bus journeys for school hire and concentrate on business hire as in 2012 the gross profit margin is higher by 12.5%. This will increase the gross profits made as more gross profit would be gained from business hire than lost from school hire and therefore this will also increase the profits, assuming no other costs change.

Award up to 2 marks for relevant application.

Good application [2] – Well applied to case. At least two examples of reference to, or use of, the case.

Limited application to the case [1] – at least one example of reference to, or use of, case.

Application marks may be awarded for appropriate use of the following:  
fuel, drivers' wages, new bus routes, training bus drivers, cost of buses, Government licences, tours, tourist season.  
There may be other examples in context which have not been included here.

- 2 (a) Identify and explain two reasons why employees of Bimisi Buses might want to be members of a trade union. [8]

Knowledge [2 × 1] – award one mark for each relevant reason

Analysis [2 × 1] – award one mark for a relevant explanation for each reason

Application [2 × 2] – award two application marks for each reason

Relevant reasons might include:

- increased wages
- improved working conditions
- collective bargaining
- advice
- reduced working hours
- training
- legal support
- social benefits
- discounts **or** vouchers

e.g.:

To gain an increase in wages [k] because trade union can bargain on behalf of the bus drivers [ap]. The bus drivers find it difficult to individually ask for a pay rise and there is strength in numbers as several drivers are employed by Bimisi [ap]. Therefore they are more likely to be successful than if they asked for a pay rise individually [an].

Application marks may be awarded for appropriate use of the following: drivers' wages, long hours/working day, new bus routes, training bus drivers, tours, tiredness, time off. Any of these, or other examples, might be developed in the answer to be worth two application marks.

- (b) If Bimisi decides to expand the business he may need to employ more bus drivers and tourist guides.

Do you think that Bimisi should use on-the-job training or off-the-job training for each of these types of employee? Justify your answers. [12]

Relevant points might include:

**On-the-job training**

- Takes place in a normal working situation, using the actual tools, equipment, documents or materials that trainees will use when fully trained.
- Individual tuition is given
- Cheaper as trained in the workplace
- Production can carry on
- Only really suitable for unskilled/semi-skilled jobs
- Trainer will be less productive
- Trainer may pass on bad habits

**Off-the-job training**

- Takes place away from normal work situations and employees are not productive during this time
- Broad range of skills can be taught
- May be cheaper if employee trains after work as output not lost
- Higher costs of training fees and possibly travel

- May be less control over what is being taught
- Workers may be less effective in the day if tired from training after work

Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

Level	Knowledge/Analysis/Evaluation
3	7–10 marks Well justified recommendation as to the best method of training for each job.
2	4–6 marks Detailed discussion of the advantages and/or disadvantages of the training methods.
1	1–3 marks Understanding of on-the-job and off-the-job training.
0	Zero marks. No creditworthy response

Level 1 – 1 mark for each L1 statement (max of 3 marks). Understanding of on-the-job and off-the-job training e.g. on-the-job training takes place in a normal work situation and involves an experienced worker to carry out the training task.

Level 2 – One L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. Off-the-job training will allow the bus drivers to train without the risk of accidents when passengers are on the buses. The drivers can be trained properly and can concentrate on the training without having to worry about who else is on their bus. (4 marks for L2 answer + 1 application mark for mentioning passengers on the bus.)

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies which is the best way to train each of these workers. Bimisi should use off-the-job training for bus drivers as it could be dangerous to train bus drivers whilst they have passengers on the bus. So it would be better to send the drivers to a specialist driving centre to train them away from the workplace as the drivers could concentrate on their driving without worrying about passengers on their bus or being distracted by the passengers getting on or off the bus.

Award up to 2 marks for application.

Good application [2] Well applied to case. At least two examples of reference to, or use of, the case.

Limited application to the case [1]. At least one example of reference to, or use of, case.

Application marks may be awarded for appropriate use of the following: bus drivers, accidents/crashes, punctuality/timetable, passenger satisfaction, bus routes. There may be other examples in context which have not been included here.

- 3 (a) If Bimisi decides to expand the business he will need a bank loan. Identify and explain two pieces of information that Bimisi will need to provide to the bank in order to get the bank loan. [8]

Knowledge [2 × 1] – award one mark for each piece of relevant information

Analysis [2 × 1] – award one mark for a relevant explanation for each piece of information

Application [2 × 2] – award two application marks for each piece of information

Relevant pieces of information might include:

- income statement
- balance sheet
- cash flow forecast
- evidence of orders
- evidence of assets

e.g.:

The cash flow forecast [k] will show if the bus company is predicted to have a positive cash flow or if it will need an overdraft [ap]. The bank manager will want to see the predictions to be sure that at some time in the future there will enough revenue coming from additional bus routes [ap] for Bimisi to be able to repay the bank loan [an].

Application marks may be awarded for appropriate references to the following:  
new bus routes, cost of buses, Government licences, school holidays, quantitative data from Insert, tours, tourist season, training additional staff.

Any of these, or other examples, might be developed in the answer to be worth two application marks.

- (b) Bimisi has decided to expand his business. Consider the advantages and disadvantages of Option A and Option B and then recommend which one he should choose. Justify your answer. (Options are described in the case study.) [12]

Relevant points might include:

Option A

- tours gross profit = 33%
- tourism is a growing market although not for the whole year (February to May)
- lots of sites to visit, but need a guide although not expensive
- fits in well with existing use of buses – use them in the day when they are not busy and therefore do not need to buy additional buses
- use existing buses more productively
- total revenue (120 days)           \$36 000
- total variable costs (120 days) \$24 000
- profit                                   \$12 000
- revenue \$300 – Costs \$200 =       \$100

Option B

- bus routes – gross profit = 50%
- gross profit margin better than Option A
- demand for 7 days a week and for longer hours (6.00 am – 12.00 midnight) – which employees may not be happy with/need to increase wages
- more capital needed to buy additional buses
- need to buy a licence: \$10 000 per bus each year
- competitive market

- total revenue (365 days) \$146 000
- total variable costs (365 days) \$73 000
- gross profit \$73 000
- minus Government licence \$10 000 (L1 but \$63 000 or consideration of the licence included in the calculation)
- revenue \$400 – costs \$200 = \$200

Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

Level	Knowledge/Analysis/Evaluation
3	7–10 marks  Well justified recommendation as to whether to use Option A rather than Option B.
2	4–6 marks  Detailed discussion of the advantages and disadvantages of Option A and B and/or use of financial calculations.
1	1–3 marks  Outlined advantages and disadvantages of Option A and B.
0	Zero marks. No rewardable response

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. Tourism is a growing market (1 mark).

Level 2 – One L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. Tourism is a growing market and therefore there is an increasing demand. The buses are not used in the day so the buses and their drivers can be used more efficiently after they have taken the children to school or workers to work. (4 marks for L2 answer + 1 application mark for mentioning buses, drivers, taking children to school and taking workers to work.)

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies which is the best option. Bimisi should choose Option B because the gross profit margin is 17% higher and the profit is \$61 000 more than Option A. The demand for these bus routes would be all year round instead of seasonal demand for tourist bus trips. This would make for a better cash flow throughout the year. Even though there are increased costs from licences the returns more than make up for this. So Option B is much better than Option A even though Option A has increasing demand.

Award up to 2 marks for relevant application.

Good application [2] Well applied to case. At least two examples of reference to, or use of, the case.

Limited application to the case [1]. At least one example of reference to, or use of, case.

Application marks may be awarded for appropriate use of the following: new bus routes, cost of buses, Government licences, tours, tourist season (February–May), training additional staff, tourism is a growing business. There may be other examples in context which have not been included here.

**4 A bus company which offers tourist bus trips has stopped trading.**

- (a) Identify and explain two reasons why a business offering services to tourists, from home and abroad, could fail. [8]**

Knowledge [2 × 1] – award one mark for each relevant reason

Analysis [2 × 1] – award one mark for a relevant explanation for each reason

Application [2 × 2] – award two application marks for each reason

Relevant reasons might include:

- lack of demand
- poor financial management
- becomes insolvent
- poor quality service
- wrong location
- increased competition
- insufficient capital
- overexpansion
- lack of planning.

e.g.:

Poor financial management [k] results in the bus company not keeping control of its costs and so the company runs out of cash [ap]. Without sufficient cash the business cannot pay for its needs such as fuel for the buses [ap] and then the buses will not run and the company will fail [an].

Application marks may be awarded for appropriate use of the following: tourism, bus routes, bus company, trade unions, new routes, school children, hotels, transport workers, changes in exchange rates.

Any of these, or other examples, might be developed in the answer to be worth two application marks.

- (b) If Bimisi chooses Option A to expand the business he will need to promote the new services. Consider the advantages and disadvantages of each of the following three methods of promotion Bimisi could use. Recommend which method would be the best method for him to use. Justify your answer. [12]

Relevant points might include:

Method	Advantages	Disadvantages
Social networking sites	<ul style="list-style-type: none"> <li>target specific demographic</li> <li>guarantees target customers see advert</li> <li>speed in response to market changes</li> </ul>	<ul style="list-style-type: none"> <li>people can opt out of advertising</li> <li>can annoy people/alienate customers</li> <li>have to pay for advertising</li> <li>lack of control of advertising</li> </ul>
Bimisi Buses website	<ul style="list-style-type: none"> <li>no extra cost if own website</li> <li>control of advertising</li> <li>can change adverts quickly</li> <li>interactive adverts</li> <li>can provide more information in adverts</li> </ul>	<ul style="list-style-type: none"> <li>potential customers may not see the website</li> <li>may not be at top of page on searches</li> <li>rely on customers finding website</li> </ul>
Television	<ul style="list-style-type: none"> <li>reaches a wide audience</li> <li>target specific market through programmes chosen</li> <li>visual/attractive/persuasive adverts</li> </ul>	<ul style="list-style-type: none"> <li>expensive to advertise</li> <li>expensive to produce advert</li> <li>lack of expertise in producing adverts</li> <li>may not be cost effective</li> </ul>

Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.

Level	Knowledge/Analysis/Evaluation
3	7–10 marks Well justified recommendation as to the best method of training for each job.
2	4–6 marks Detailed discussion of the advantages and/or disadvantages of the different promotion methods or a balanced argument (even if in a list)
1	1–3 marks Outlines advantages/disadvantages of promotion methods
0	Zero marks. No rewardable response

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. If Bimisi uses his own website then this will not have any additional cost (1 mark)

Level 2 – One L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. If Bimisi uses his own website then this will not have any additional cost. Bimisi will only have to pay for the set up and maintenance of the website and he will have to pay these costs anyway. However, he has to rely on tourists finding the website when they are searching for a bus company and his website might not come up at the top of a search. (4 marks for L2 answer + 1 application mark for mentioning bus company and tourists.)

Level 3 – For L3 to be awarded there need to be at least two L2 marks awarded and then a recommendation which justifies which is the best method. I would recommend using the company website because the costs are low once the website is set up and many of the tourists who might use the tour services may come from abroad and therefore it is easy for them to access the website to look at the tourist bus trips being offered.

Award up to 2 marks for relevant application.

Good application [2] – Well applied to case. At least two examples of reference to, or use of, the case.

Limited application to the case [1] – at least one example of reference to, or use of, case.

Application marks may be awarded for appropriate use of the following:  
new bus routes, tours, tourist season (February–May), training additional staff, tourism is a growing business.

There may be other examples in context which have not been included here.

