Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/22**

Paper 2 Data Response **October/November 2020**

1 hour 30 minutes

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You must answer on the enclosed answer booklet.

You will need: Answer booklet (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Follow the instructions on the front cover of the answer booklet. If you need additional answer paper, ask the invigilator for a continuation booklet.

INFORMATION

- The total mark for this paper is 60.
- The number of marks for each question or part question is shown in brackets [ ].

This document has **4** pages. Blank pages are indicated.

1 Energy Solutions (ES)

ES is a public limited company in country X. The business was set up in 1980. For 25 years most of ES's revenue came from coal mining. Although ES still owns many coal mines, the business now specialises in hydraulic fracturing, known as fracking. This is a process used to extract gas from underneath the ground.

The government of country X encourages firms like ES to grow. The growth of ES has led to economies of scale and lower unit costs.

ES considers the effects of fracking on all the stakeholders of the business. Fig. 1.1 is an extract from a recent newspaper article about fracking.

> Fracking is not liked by everyone. On the positive side it could produce enough gas to mean that country X can produce its own energy for the next 100 years. This is also likely to mean lower energy prices for both businesses and consumers.
>
> Competing companies in the market have taken full advantage of fracking and are expecting to increase their revenue and profit substantially in the future.
>
> However, people who live near the fracking sites have reported many minor earthquakes. These have not damaged any buildings but the price of houses in those areas has decreased significantly.
>
> There has also been a concern that fracking could lead to pollution and a loss of wildlife.

Fig. 1.1: Extract from a recent newspaper article about fracking

Despite the complaints from some external stakeholders, ES plans to increase the number of fracking sites in country X. This will require ES to buy licences from the government of country X. Each licence costs $50m and ES will require both internal and external sources of finance to fund this purchase.

ES employs over 1000 people. Every worker benefits from a profit-sharing scheme (see Table 1.1) as well as their basic pay.

Table 1.1: Profit-sharing scheme at ES

Profit in 2019	$12m
Each director's share of profit	0.25%
Each manager's share of profit	0.1%
Each of other employees' share of profit	0.002%

(a) **(i)** Define the term 'revenue' (line 2). [2]

(ii) Explain the term 'unit costs' (line 6). [3]

(b) **(i)** Refer to Table 1.1. Calculate the difference in dollars received by each director and each manager from the profit-sharing scheme. [3]

(ii) Explain **one** disadvantage to ES of using a profit-sharing scheme. [3]

(c) Analyse **one** internal source of finance and **one** external source of finance that ES could use to purchase a fracking licence. [8]

(d) Evaluate how **two** external stakeholders of ES might be affected by the company continuing to use the fracking process. [11]

2 Gemini Theatre (GT)

GT is a private limited company fully owned by the Gemini family. It owns a small theatre. This building is used to show live stage performances. Some of the performances are created by GT and some are created by visiting groups who rent the theatre. Table 2.1 shows the planned performances for January 2021.

Table 2.1: Planned performances for January 2021

Name of performance	Created by	Number of performances	Ticket price	Percentage of tickets sold
A Summer Dream	Visiting group	9	$40	100%
Wise Owl	GT	14	$15	60%
La Poeme Ballet	GT	5	$20	40%

GT gains all the revenue from performances created by GT. Visiting groups must pay 50% of their total ticket revenue to GT. The theatre has a maximum of 250 tickets that can be sold for each performance.

GT uses cost-based pricing to set each ticket price for its own performances. Each performance makes a profit but the company often experiences cash flow problems.

GT needs to recruit a new Theatre Manager. The person hired will have many duties, including the responsibility for all of GT's administration as well as some accounting. The Directors are considering two people who were both recently interviewed. Table 2.2 contains information gained from the interview process.

Table 2.2: Information gained from the interview process

Nick	Portia
• Three years working for a similar theatre business • A Levels in Business, Art and Chinese • Very organised and efficient • No management experience • Wants to move overseas in the future	• Eight years working as a manager for a bank • No formal qualifications • Late for the interview • Good sense of humour • Looking for a long-term career

(a) **(i)** Define the term 'cost-based pricing' (line 14). [2]

(ii) Explain the difference between 'cash' (line 15) and 'profit' (line 15). [3]

(b) **(i)** Refer to Table 2.1 and any other relevant information. Calculate the revenue GT will receive from all the performances of 'A Summer Dream' in January 2021. [3]

(ii) Explain **one** possible advantage to GT, other than increased revenue, of renting the theatre to visiting groups. [3]

(c) Analyse **two** factors which might affect the demand for the performances at GT's theatre. [8]

(d) Recommend whether GT should employ Nick or Portia for the position of Theatre Manager. Justify your recommendation. [11]