

CIE AS Business Studies

Sample Questions: Paper 2, Section 2 (Calculate and Comment)

Unit 3: Marketing

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Table of Contents

Chapter 15: Market Research	3
W12_QP_21: Presentation of Data.....	3
W12_QP_22: Presentation of Data.....	4
W12_QP_23: Presentation of Data.....	5
Chapter 16: Marketing Mix: Product and Price	6
W13_QP_22: Cost-Based Pricing	6
W13_QP_23: Revenue and PED.....	7
S13_QP_23: Cost Based Pricing	8
S13_QP_23: Price Elasticity of Demand.....	9
S09_QP_2: Price Decisions.....	10

Chapter 15: Market Research

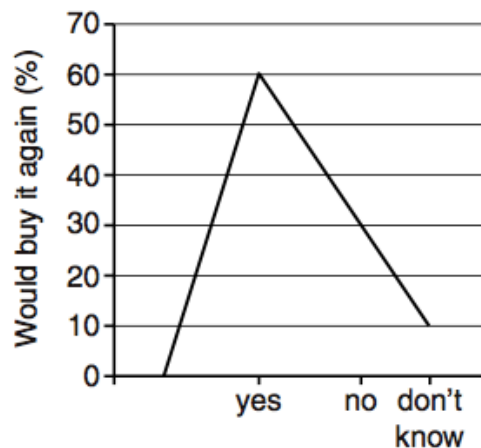
W12_QP_21: Presentation of Data

Tiger Skateboards (TS)

Haim is an AS Level Business Studies student. He has done a customer survey for TS. Haim produced the following results based on a sample of 10 of his friends.

Figure 1: Haim's survey

- Question 1: What do you use your skateboard for?
Competition 20%, fun 70%, other 10%.
- Question 2: Are you pleased with the customer service you receive?
Fully satisfied 20%, average 50%, dissatisfied 30%.
- Question 3: What do you think of the brand name 'Tiger'?
Well known 30%, never heard of it 20%, other 50%.
- Question 4: Would you buy the product again?



- (i) Suggest **two other** forms of graphical presentation for the answers to question 4 in the survey shown in Figure 1. [2]
- (ii) Briefly explain **two** reasons why Haim's survey results are unreliable. [4]

W12_QP_22: Presentation of Data

King Kites (KK)

KK has done primary research into the recreational kite market. The Marketing Director wants to present the following results from the research.

**Table 2: Important features of a kite in the recreational kite market
(number of responses from final consumers)**

	Important	unimportant	don't know
Cost	26	3	1
Performance	30	0	0
Colour	15	5	10
Ease of use	18	2	10
Strength	12	11	7

- (i) Briefly explain **one** sampling method appropriate for the primary research. [2]
- (ii) Briefly analyse the benefits of presenting the information in Table 2 as a graph/chart. [4]

W12_QP_23: Presentation of Data

Junior Games (JG)

JG produces computer games for children. This is a highly competitive market. The games can be bought by downloading from the Internet and are also available on disk. A director, Buzz, has done some market research into customers' preferences. He has found that for some age groups computer games are becoming less popular. Some older children want the fun of being able to play socially and competitively with traditional board games (such as chess).

Buzz got his son (who is studying A level Business Studies) to produce some more research results (see Figure 1).

Figure 1: Additional research results (showing number of responses)

Question 1: What types of games do you own? Computer 24, Board 2, Other 4
Question 2: What do you think of your computer games? Excellent 5, Average 10, Boring 9
Question 3: What sort of game will you buy next? Computer 3, Board 18, Don't know 9

- (i) Suggest **two** ways in which the information in Figure 1 could be presented. [2]
- (ii) Briefly analyse the benefits of presenting the information in **one** of the ways you have selected. [4]

Chapter 16: Marketing Mix: Product and Price**W13_QP_22: Cost-Based Pricing****School Sports Shop (SSS)**

Paula will be the student in charge of buying the products that will be sold in the shop. Paula has prepared the information shown in Table 3. This is the unit cost that SSS will have to pay the suppliers for each of their products. Paula knows that these costs are high because she is not ordering in large enough quantities to gain discounts.

Table 3: Unit cost for some products to be sold in the shop

School bag (plain black)	\$10
Sports jacket (variety of sizes)	\$35
Shorts (variety of sizes)	\$8
Sport socks (per pair)	\$6
Plastic folder (pack of 5)	\$7

- (i) Paula plans to add 20% to the unit cost of each item in order to calculate the selling price. Using Table 3, calculate the selling price for a sports jacket. [2]
- (ii) Using your answer from (b)(i), explain **two** disadvantages to SSS of using cost-based pricing. [4]

W13_QP_23: Revenue and PED

George's Gym (GG)**Table 3 – Annual revenue and profit for the previous 3 years (\$000)**

	2010	2011	2012
Annual revenue	120	160	X
Profit	20	50	80

The local population is wealthy. Last year (2012), GG had 300 members who each paid a membership fee of \$60 per month. George is thinking about new ways of increasing revenue such as offering additional 'keep fit' classes. He also plans to increase the monthly fee he charges members to \$66. His accountant has told him he needs to think about the price elasticity of demand before making a pricing decision.

- (i) Calculate the value of X in Table 3. [2]
- (ii) Explain how George might use the concept of price elasticity of demand in deciding whether or not to increase GG's membership fee. [4]

S13_QP_23: Cost Based Pricing

Coffee Paradise (CP)**Table 1: Cost estimates for meals**

Probable cost of ingredients	\$0.80 per meal
Other direct costs	\$0.30 per meal

- (i) Assume CP uses a mark-up of 70% on costs for pricing its meals. Using the information in Table 1, calculate the price that CP would charge for its meals. [3]
- (ii) Explain **one** factor (other than mark-up) that Anna should consider when deciding on the price for meals. [3]

S13_QP_23: Price Elasticity of Demand

Cando eCables (CeC)

Jon, the Marketing Director, was studying sales data following recent price reductions.

Table 3: Impact of prices on demand for CeC's products

Product	Price decrease (%)	Increase in Demand (%)	Comments about the market
Industrial cables	10%	2%	Industry is in decline due to poor economic conditions
Computer cables	5%	20%	The information technology sector is growing and sales of home computers are increasing

- (i) Using Table 3, calculate the price elasticity of demand for computer cables. [2]
- (ii) The price elasticity of demand for industrial cables is estimated to be -0.2 . Using this information and your answer to (b)(i), briefly comment on the differences between the markets for CeC's products. [4]

S09_QP_2: Price Decisions

Cheapo Air

Cheapo Air (CA) is a low cost airline operating only on popular routes. These routes are facing more and more competition from rival airlines. CA's profit margin is falling.

CA is able to offer cheap flights by employing only the minimum number of staff. Customers get a flight and little more.

CA have estimated the following financial information for the most popular route:

Table 1: Comparison Data

	Low Cost	Business
Available seats	300	200
Operating cost per seat	\$100	\$150
Price per seat	\$150	\$ not yet decided
Operating profit per flight	\$15 000	\$ not yet decided

CA's main competitor is charging \$180 per seat for business customers but the service and comfort are not as good as what CA are planning.

- (i) Calculate the price that CA would have to charge business customers to achieve the same operating profit per flight as for low cost flights. [3]
- (ii) Briefly comment on your answer to (b)(i). [3]