Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/32**

Paper 3 Business Decision-Making **February/March 2024**

INSERT **1 hour 45 minutes**

0060940528-I

INFORMATION

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

alpha

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Clean Delivery (CD)

Until 2017 Gianni Rousseau was a marketing executive for a multinational consumer goods company. His wife, Anna, worked in the research and development (R&D) department of the same business. In 2017 they set up CD in country K.

A cleaner brand

Gianni thought there was an opportunity to disrupt the household cleaning product market in country K with a new approach to distribution. CD manufactures and sells detergent which is used to wash clothes. Sales are made to households through a subscription service using postal deliveries to distribute the product. CD claims three main benefits for customers:

- cheaper per clothes wash than leading retail brands
- environmentally responsible as no plastics are used in packaging
- flexible and convenient delivery of the detergent.

Customers control the frequency of their home deliveries online. Payments are taken directly from customer bank accounts for each delivery.

Marketing success?

The household cleaning product market is competitive. Multinationals target the mass market whilst some smaller businesses focus on the environmental market segment. CD made effective use of social media when the company launched its washing detergent. A substantial marketing budget supported rapid sales growth. CD's share of country K's clothing detergent market is currently 5%. CD has an objective to double that within the next two years. CD has benefited from positive publicity in the media and Gianni and Anna have won entrepreneurial awards in country K.

However, some pressure groups have questioned whether CD's products are as sustainable as other environmentally friendly brands. Product tests have also found that CD's products provide less effective cleaning than the market-leading multinational brands.

Developing new products

Since 2018 CD has developed a small range of additional cleaning products. CD aims to ensure that each new product can be delivered easily by post. To ensure products are sustainable CD only uses materials that are not harmful to the environment.

CD plans to increase expenditure on research and development to 3% of revenue by 2025. In a recent interview Anna commented that CD's R&D spending is, in relative terms, double the investment of the leading multinational brand.

Inflation and government economic policy

In recent months CD has experienced an increase in the cost of chemicals and other materials used to manufacture its products in country K. CD sources most of its chemicals and materials locally to reduce the environmental impact. Rising energy prices have also had a significant effect on costs. CD has absorbed these additional costs, but Gianni wants to increase the price of clothing detergent from $4.00 to $4.60 per unit. This would be the first price increase since 2022. However, he is concerned that this will reduce demand. CD's marketing department estimates that the price elasticity of demand for the detergent is –0.6. Current sales are 100 000 units per month.

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In response to inflationary pressures the government has increased interest rates. This has resulted in an appreciation of country K's currency exchange rate. Economists predict this will be a long-term increase in the external value of country K's currency.

International expansion

CD started to export its products in 2022 by setting up a subscription service in country C. Although this is not yet profitable, Gianni and Anna are satisfied with the sales growth. They are now planning to expand further by exporting to three other countries that have similar economies to country K. Gianni has also proposed that CD should open factories in two of these countries.

Organisational structure

CD has a hierarchical organisational structure based on the business functions of marketing, finance, human resources, operations and research. Gianni believes this structure has supported growth by ensuring consistency throughout the business. There are also ambitious plans for further international expansion. Anna now suggests changing to a geographical organisational structure.

Shareholder pressure

CD's expansion has been financed through loans, retained profit and share capital. CD is a public limited company although Anna and Gianni still own 40% of shares. At the recent Annual General Meeting (AGM) Gianni presented CD's ambitious expansion plan which would require additional financing, possibly from external sources.

Gianni argued it was important for CD to expand operations to benefit from internal economies of scale. Some shareholders expressed their concerns that CD should focus more on generating short-term returns to shareholders.

Table 1.1 provides selected financial data and accounting ratios for CD.

Table 1.1 CD's selected financial data and accounting ratios

	30 January 2024 ($m)	30 January 2023 ($m)
Revenue	21.3	18.6
Profit from operations	2.6	2.5
Issued share capital	3	3
Reserves	13.5	12.8
Non-current liabilities	16	15
Current ratio	0.8:1	0.6:1
Earnings per share $	0.6	0.6
Market price per share $	4.00	3.90
Dividend yield %	3%	3.3%

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CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

BUSINESS **9609/32**

Paper 3 Business Decision-Making **February/March 2024**

1 hour 45 minutes

You must answer on the question paper.

You will need: Insert (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use an HB pencil for any diagrams, graphs or rough working.

INFORMATION

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

This document has **12** pages. Any blank pages are indicated.

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[Turn over

2

Answer **all** questions.

1 Analyse **two** benefits to CD resulting from internal economies of scale.

..... [8]

2 Analyse **two** advantages to CD of changing to a geographical organisational structure.

..... [8]

3 **(a)** Refer to Table 1.1. For 2024, calculate the price earnings ratio.

..... [1]

(b) Refer to Table 1.1. For 2024, calculate the return on capital employed.

..... [3]

(c) Evaluate the usefulness of the data in Table 1.1 to potential shareholders when considering whether to buy shares in CD.

..... [12]

4 **(a)** Refer to lines 36–40. Calculate the estimated change in quantity demanded if CD increases the price of its detergent from $4.00 to $4.60.

..... [4]

(b) Evaluate the importance of new product development to CD's future success.

..... [12]

5 Evaluate the impact on CD of the appreciation of country K's exchange rate.

..... [12]

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CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/32**

Paper 3 Business Decision-Making **February/March 2024**

MARK SCHEME

Maximum Mark: 60

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 February/March 2024 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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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 descriptions 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.

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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.

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PUBLISHED

Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Guidance on using levels-based marking

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The examiner should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:

- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range.
- If the candidate's work **just** meets the level statement, award the lowest mark.
- L1, L2 etc. must be clearly annotated on the response at the point where the level is achieved.

Assessment objectives

AO1 Knowledge and understanding
Demonstrate knowledge and understanding of business concepts, terms and theories.

AO2 Application
Apply knowledge and understanding of business concepts, terms and theories to problems and issues in a variety of familiar and unfamiliar business situations and contexts.

AO3 Analysis
Analyse business problems, issues and situations by:
- using appropriate methods and techniques to make sense of qualitative and quantitative business information
- searching for causes, impact and consequences
- distinguishing between factual evidence and opinion or value judgement
- drawing valid inferences and making valid generalisations.

AO4 Evaluation
Evaluate evidence in order to make reasoned judgements, present substantiated conclusions and, where appropriate, make recommendations for action and implementation.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>
Analyse two benefits to CD resulting from internal economies of scale.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
Note:
• Only reward benefits.
• If more than two benefits are referred to, reward the best two.

All annotation (K APP AN L2) should be in the left margin.
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
1	**Indicative content** Responses may include: **AO1 Knowledge and understanding** Definition of internal economies of scale (max K1 mark) • Internal economies of scale result from the increase in scale of operations of the business. • Internal economies of scale include: marketing, purchasing, technical, financial and managerial. Knowledge of benefits of internal economies of scale to CD Benefits include: • Reduced unit costs. • Increased productivity due to greater technical economies. • Being able to recruit higher quality managers. • Lower costs for finance. **AO2 Application** *Max one* APP *for application for the first element and max one* APP *for application for the second element.* • Household cleaning product market is competitive. • Competition from MNCs (likely to have low unit costs). • Competition from smaller businesses in the environmental market segment (CD can gain price advantage). • Substantial marketing budget (keep unit marketing costs low). • Increased costs of chemicals and other materials due to inflation. • Shareholder pressure for higher returns (link to profit margins). **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Reduced unit costs enable a reduction in price AN making CD more competitive and increasing sales L2 AN. • Lower unit costs could give CD a higher profit margin AN and therefore increase profits with which to satisfy shareholder desire for higher returns L2 AN. • Lower unit costs could offset the increasing cost pressures that CD faces and reduce the need to increase prices to customers AN. Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>

Analyse <u>two</u> advantages to CD of changing to a geographical organisational structure.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

Note:
• Only reward advantages.
• If more than two advantages are referred to, reward the best two.

</td><td>8</td></tr>
</table>

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Question	Answer	Marks
2	**Indicative content** Responses may include: **AO1 Knowledge and understanding** Definition of organisational structure / geographical organisational structure (max K1 mark) • The internal, formal framework of a business that shows the way in which management is linked together, and how authority is passed through the organisation. • Structure based on geographical area in which each division is self-contained with its own functional areas. Benefits of a geographical structure: • Better customer service. • More responsive to changing local needs. • Measure the performance and profitability of each division separately. • Greater focus on specific market segments. • Improved customer communication. • Quicker decisions. • Reduce costs of production • Competition between geographic units • Preparation of managers in geographic units for promotion **AO2 Application** *Max one* APP *for application for the first element and max one* APP *for application for the second element.* • CD's expansion to country C in 2022 is not yet profitable. • Plans to open factories in two new countries. • Current plans to export to three new countries. • Ambitious plans for further international expansion. • Comment on current hierarchical functional structure.	

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Question	Answer	Marks
2	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Different international markets may have differing needs in terms of the product, pricing and promotion. A geographical structure can respond more effectively to those needs AN and thus increase sales L2 AN. • Facilitates the establishment of companies' business units at different local as well as regional levels. This enables regional managers to better understand local needs, preferences, and tastes AN. As such, they can make relevant products and better satisfy customers and thus increase sales L2 AN. • A geographical structure can promote improved communication between the local customers and local divisions of the business. Such local divisions can better interact with local customers and create value for the business AN resulting in an increase in profitability L2 AN. • Enables local managers to make prompt decisions without the consent of the central management. Quick decision-making enables CD to serve the right customers at the right time AN resulting in increased sales L2 AN. • May enable CD to better estimate the demand of the local customers and as such it helps to reduce the cost of overproduction and wastage of raw materials AN leading to an increase in profits L2 AN. Accept all valid responses.	
3(a)	**Refer to Table 1.1. For 2024, calculate the price earnings ratio.** **Indicative content** PE Ratio = Market price per share / earnings per share = 4.00 / 0.6 = 6.67 (1 mark) Accept 6.7, 6.66	**1**

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Question	Answer	Marks
3(b)	**Refer to Table 1.1. For 2024, calculate the return on capital employed.** **Indicative content** Responses may include: ROCE = Profit from operations / Capital employed × 100 and / or capital employed = issued shares + reserves + non-current liabilities (1 mark if no relevant calculation) CE = 3 +13.5 + 16 = 32.5m (1) ROCE = 2.6 / 32.5 × 100 (2) ROCE = 8% (3) Accept 8 (3) Other answers and marks: ROCE for 2023 2.5 / 30.8 × 100 = 8.12% (2) One element of CE not included (2). 2.6 / 16.5 × 100 = 15.76% 2.6 / 29.5 × 100 = 8.81% 2.6 / 19 × 100 = 13.68% OFR	**3**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>

Evaluate the usefulness of the data in Table 1.1 to potential shareholders when considering whether to buy shares in CD.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

All annotation (K APP AN L2 EVAL L2 EVAL L3 EVAL) should be in the left margin.

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
3(c)	**Indicative content** Responses may include: **AO1 Knowledge and understanding** • Shareholder is an investor in the business seeking a return in the form of dividends and/or share price increase. • Understanding of relevant factors to shareholders including: – Change in revenue – impact of increasing revenue on share price. – Profitability – impacts dividends and share value. – Dividend yield – the return to shareholders relative to share price. – Changes in share price – link to capital gain to shareholder. – Gearing ratio – links to risk of investment. – PE ratio – reflects confidence of shareholders in future prospects of the business. – Current ratio – solvency. **AO2 Application** *Limited application,* APP *applies knowledge to CD once.* *Developed application,* APP + APP *applies knowledge to CD twice.* • Increase in revenue of $2.7m. • Reduced operating profit margin – now 12.2%. • Reduced return on capital employed from 8.1% to 8%. • Reduction in dividend yield. • Increase in share price by 2.56%. • Plans for expansion. • Gearing 49.23% close to being highly geared. • Current ratio has improved from 0.6 to 0.8 **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Share price is increasing which will encourage potential shareholders to purchase shares AN in the expectation of a capital gain in the future L2 AN.	

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Question	Answer	Marks
3(c)	• Increasing profit may result in higher dividends in the future AN and therefore support decision to buy more shares L2 AN. • Dividend yield has decreased meaning that the return for shareholders is lower than in 2023. This suggests that potential shareholders would be less likely to purchase shares AN. • Expansion plans are ambitious which might result in higher profits in the future AN and therefore increase returns to shareholders L2 AN. • Increased gearing could result in shareholders enjoying greater share of the benefits of future growth AN. • Increased gearing can also mean lower dividend payout to shareholders in the short term AN as there are increased interest payments which then lower the profit for the year so there is less left for the shareholders L2 AN. **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Limited nature of the data in Table 1.1 – Data only available for 2024 and 2023 making it difficult for shareholders to identify longer terms trends on which to base their decision. – Need to compare with other businesses in the industry. – Changes may reflect changes in the economy rather than successful decision making of CD. • Depends on whether shareholders are focused on the short term or the long-term gains. • Given the cost push inflation in the economy the performance of CD might be considered to be good – this may explain why the share price has increased. • Depends on attitude toward risk as the business is relatively highly geared and the plans for expansion are costly and may fail. • Most important data in Table 1.1 – Shareholders most concerned by capital gains from increasing share price and dividend returns. • Qualitative factors also important such as: – CD's plans for future expansion will impact risk and reward of shareholder investment. • Quantitative data is objective data on which to base investment decision. Accept all valid responses.	

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Question	Answer	Marks
4(a)	**Refer to lines 36–40. Calculate the estimated change in quantity demanded if CD increases the price of its detergent from $4.00 to $4.60** **Indicative content** PED = % change in Qd / % change in price and/or % change in Qd = PED × % change in price (1 mark) Percentage increase in price = 0.6 / 4 × 100 = 15% (1) % change in Qd = 15 × -0.6 (3) % change in Qd = –9% OR a reduction of 9000 units (4)	**4**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

Evaluate the importance of new product development to CD's future success.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

All annotation (K APP AN L2 EVAL L2 EVAL L3 EVAL) should be in the left margin.

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
4(b)	**Indicative content** Responses may include: **AO1 Knowledge and understanding** • New product development is the design, creation and marketing of new goods and services. • Research and development is the scientific research and technical development of new products and processes. Benefits of new product development: • Attract repeat purchase by offering a product that is new and better. • Meet customer needs more effectively. • Gain a competitive advantage over competition. • Product differentiation. • Control over pricing. • Refresh the brand. • Cost of product development. **AO2 Application** *Limited application,* APP *applies knowledge to CD once.* *Developed application,* APP + APP *applies knowledge to CD twice.* • Competitive market. • Consumer product tests showing CD products not as good for cleaning. • Environmental credentials of CD have been questioned. • Cost of R&D – increase in expenditure to 3% of revenue (that would be $639 000 in 2024). • Shareholder pressure for returns. • Reference to price inelastic demand (-0.6). **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Improvements in cleaning power of products will maintain consumer interest and prevent the product becoming less effective relative to products of competitors AN. This will result in higher sales and increased profit L2 AN. • R&D can improve sustainability of CD's cleaning products further differentiating them from MNCs AN and attracting customers L2 AN.	

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Question	Answer	Marks
4(b)	• R&D can enable CD to launch new products and maintain growth in revenue AN which can help meet shareholder expectations for higher returns L2 AN. • Improved products could make CD's detergents more price inelastic AN. • R&D is costly and may therefore negatively impact CD's cashflow and liquidity AN. • R&D may be classified as an operating expense and can therefore result in a decrease in profit AN. **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Without product development CD will lose its competitive edge in the market. Products need to be continually improving. • Can R&D match the results of the spending by MNCs which will be significantly more than CD can afford? • R&D is risky and may not bring improvements to products. • Is product development the most important factor to future success: – Role of marketing to support new products. – Role of marketing research as part of NPD. – Competitor decisions. Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>

Evaluate the impact on CD of the appreciation of country K's exchange rate.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

All annotation (K APP AN L2 EVAL L2 EVAL L3 EVAL) should be in the left margin.

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
5	**Indicative content** Responses may include: **AO1 Knowledge and understanding** • Exchange rate measures the value of one currency in terms of another. • Appreciation means the value of a currency has increased in terms of another i.e. it buys more of another currency than previously. • Makes imports cheaper but exports more expensive. **AO2 Application** *Limited application,* APP *applies knowledge to CD once.* *Developed application,* APP + APP *applies knowledge to CD twice.* • Chemicals are currently produced in country K. • Chemicals could be imported more cheaply. • Increase in price of CD exports to country C. • CD's plans for expansion. • Cost push inflation in country K – including energy costs and raw materials. • Environmental responsibility of CD. **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* AN L2 AN *– candidate shows two or more links in the chain of analysis.* • Appreciation could enable CD to import chemicals at a lower cost and thus reduce cost pressures to increase the selling price AN. This could prevent a reduction in sales in country K L2 AN. • CD's products will be a higher price in export markets such as country C therefore reducing sales AN. • Appreciation of country K's currency will reduce the cost of CD's plans to expand operations abroad AN. • Appreciation could increase the price competition from MNC products produced outside of country K AN, reducing the sales of CD L2 AN.	

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Question	Answer	Marks
5	**AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Depends how much country K's currency appreciates and for how long. • Depends on PED. • As sustainability is important, CD may prefer to continue purchasing chemicals domestically rather than importing so appreciation won't bring any direct benefit. • Depends whether energy costs will be reduced by the appreciation – this could happen if oil and gas are imported to country K to generate electricity. Accept all valid responses.	

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Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/31**

Paper 3 Business Decision-Making **May/June 2024**

INSERT **1 hour 45 minutes**

7920868319-I

INFORMATION

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

alpha

DC (SK) 328342/1
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2

Gordy Building Supplies (GBS)

GBS sells sand, gravel and other building materials in country Q. GBS is a partnership between Gordy and his Aunt Mo. The building materials are extracted from land owned by Mo. Gordy manages all business functions apart from finance, which is Mo's responsibility. Both are committed to owning and operating an independent business.

GBS has 13 employees who are only trained to extract and prepare materials for distribution to building industry customers. Gordy tells employees exactly how to carry out their tasks and expects them to follow instructions without question. Time spent in meetings is minimised and Gordy believes this improves productivity. Employees have flexible part-time employment contracts. Inventory of extracted materials is low, but GBS is able to react quickly to seasonal fluctuations in demand. GBS is profitable and Gordy is thinking of expanding the business. He believes that country Q's economy will continue to grow by 8% each year if interest rates remain at 5%.

Communication process innovation

Currently Mo and Gordy use paper-based systems to process customer orders. Gordy wants to improve GBS's efficiency. His ideas are focused on a coordinated information technology (IT) system that links customer orders and distribution. This will include:

- a smart phone app to be used by customers to place orders with GBS
- introducing barcodes to enable orders to be tracked.

Investment in new grinding machine

Demand for GBS's products is increasing and output needs to increase. A new machine for grinding rocks into gravel and sand would speed up production and reduce unit costs. It would require a skilled operator. Mo used her experience and data from the machine's manufacturer to prepare discounted cash flows. (See Table 1.1.) The investment will cost $110 000 and will have no residual value after five years. Mo has calculated the total profit will be $45 000.

Table 1.1 Discounted cash flow data for the new grinding machine

Year	Discounted cash flow at 5% ($000)
0	(110)
1	19.0
2	27.3
3	25.8
4	28.7
5	31.2

3

Marketing decisions

A recent price change for one GBS gravel product from $90 to $81 per tonne resulted in an increase in demand from 2400 tonnes to 3000 tonnes per month. Table 1.2 shows elasticity of demand information for all industry gravel products that Gordy found in a building trade journal. He is confident he can make some marketing decisions to benefit GBS:

- Reduce the price of all GBS products.
- Increase GBS's promotional spending by 25%.
- Change the product mix to include more high value materials used to build luxury homes.

Table 1.2: Elasticity of demand for all industry gravel products

Income elasticity	Promotional elasticity
1.8	1.1

Possible expansion into new land

A growing economy requires more housing and industry, so increasing the supply of building materials is important. GBS could purchase new land from which building materials could be extracted. The expansion would create new job opportunities. This land is on a steep hillside and is very close to a large village. There have already been protests by villagers who are concerned about pollution, dust and noise.

Gordy thinks the negative effects can be minimised by considering corporate social responsibility (CSR). An example could be to use renewable energy. However, Mo is worried about the cost. A local government official is likely to grant permission for extraction of building materials from this land if GBS pays an incentive. However, paying incentives may damage GBS's reputation.

Before Gordy and Mo make a decision to expand into the new land they will analyse forecast costs and revenue but they realise that profit might not be the most important consideration.

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Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

7920868319

BUSINESS **9609/31**

Paper 3 Business Decision-Making **May/June 2024**

1 hour 45 minutes

You must answer on the question paper.

You will need: Insert (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use an HB pencil for any diagrams, graphs or rough working.

INFORMATION

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

This document has **12** pages. Any blank pages are indicated.

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[Turn over

Answer **all** questions.

1 Analyse **two** advantages to GBS of using flexible part-time employment contracts.

..... [8]

2 Analyse **two** disadvantages to GBS of its proposed communication process innovation.

..... [8]

3 **(a)** Refer to lines 24–25. Calculate the accounting rate of return (ARR) for the new grinding machine.

..... [2]

(b) Refer to Table 1.1. Calculate the net present value (NPV) of the new grinding machine.

..... [2]

(c) Evaluate whether GBS should purchase the new grinding machine.

..... [12]

4 **(a)** Calculate the price elasticity of demand (PED) for GBS's gravel product when the price decreased from $90 to $81 per tonne.

..... [4]

(b) Evaluate the impact of elasticity measures when GBS makes marketing decisions.

..... [12]

5 Evaluate the extent to which corporate social responsibility (CSR) should influence GBS's decision to expand into new land.

..... [12]

alpha

CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/31**

Paper 3 Business Decision-making **May/June 2024**

MARK SCHEME

Maximum Mark: 60

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 May/June 2024 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

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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 descriptions 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.

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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.

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PUBLISHED

Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion).

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer.
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Guidance on using levels-based marking

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The examiner should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:

- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range.
- If the candidate's work **just** meets the level statement, award the lowest mark.
- L1, L2 etc. must be clearly annotated on the response at the point where the level is achieved.

Assessment objectives

AO1 Knowledge and understanding
Demonstrate knowledge and understanding of business concepts, terms and theories.

AO2 Application
Apply knowledge and understanding of business concepts, terms and theories to problems and issues in a variety of familiar and unfamiliar business situations and contexts.

AO3 Analysis
Analyse business problems, issues and situations by:
- using appropriate methods and techniques to make sense of qualitative and quantitative business information
- searching for causes, impact and consequences
- distinguishing between factual evidence and opinion or value judgement
- drawing valid inferences and making valid generalisations.

AO4 Evaluation
Evaluate evidence in order to make reasoned judgements, present substantiated conclusions and, where appropriate, make recommendations for action and implementation.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>
Analyse <u>two</u> advantages to GBS of using flexible part-time employment contracts.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
1	**Note:** • Only reward benefits. • If more than two benefits are referred to, reward the best two. • Benefits must apply to GBS. All annotation (K APP AN L2) should be in the left margin. **Indicative content** **AO1 Knowledge and understanding** • Definition or explanation of flexible part-time employment contracts (max K 1 mark). • Employees are only contracted to work for a certain number of hours each week but less than the full-time working week. Possible advantages include (max 2 K marks): • Higher productivity due to improved employee morale • Lower fixed costs • Low labour turnover • Less absenteeism • Attract wider range of potential employees • Greater commitment to and engagement with the organisation.	

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Question	Answer	Marks
1	**AO2 Application** *Limited application,* APP *applies knowledge to GBS once.* *Developed application,* APP + APP *applies knowledge to GBS twice.* *Max one* APP *for application for the first advantage and max one* APP *for application for the second advantage.* • Small number of employees (13). • Link to GBS being able to react quickly to seasonal fluctuations. • Link to low inventory of extracted materials. **AO3 Analysis** *Limited analysis* AN *- candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *- candidate shows two or more links in the chain of analysis.* • Employees feel they are in control of their work arrangements with regard to time so productivity is higher therefore unit costs are lower AN which enables GBS to be price competitive in the market L2 AN. • Employees feel trusted and have some choice, leading to lower labour turnover and therefore a reduction in recruitment costs AN. • Employees have a degree of choice over when they work resulting in less absenteeism AN and greater output to meet customer demands L2 AN. • Choice of work times attracts a wider range of potential employees improving the quality of workers and therefore increasing output AN. • Part-time employees can be employed at busy periods to ensure that demand is met AN. Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>
Analyse <u>two</u> disadvantages to GBS of its proposed communication process innovation.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
2	**Note:** • Only reward problems / disadvantages. • If more than two problems are referred to, reward the best two. • L2AN (3 marks) is possible for just one point made. All annotation (K APP AN L2) should be in the left margin. **Indicative content** **AO1 Knowledge and understanding** • Definition or explanation of process innovation (max K 1 mark). • Application or introduction of a new technology or methods/systems that increase efficiency. • Examples include new IT systems, use of blockchain, automated payments or inventory, robotics. • Possibility that the changes form part of an ERP system. Possible disadvantages include (max K 2 marks): • Cost of the proposals and need for finance. • Possible employee resistance to change. • Cost of training employees. • Technology may fail.	

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Question	Answer	Marks
2	**AO2 Application** *Limited application,* APP *applies knowledge to GBS once.* *Developed application,* APP + APP *applies knowledge to GBS twice.* *Max one* APP *for application for the first problem and max one* APP *for application for the second problem.* • Number of employees (13) – will need training. • Low inventory. • Proposal includes coordinated IT system linking customer orders and distribution. • Tracking of orders of sand & gravel. • Gordy is thinking of expanding the business. • Finance needed for new grinding machine. **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • A new IT system could be expensive to implement resulting in cash flow problems AN . • Employees may feel they have less control as a result of the process innovation. This may result in conflict and disturb current effective working relationships and employees may leave AN increasing recruitment costs L2 AN. • Employees will need training which will increase costs and reduce profit in the short term L2 AN. • Opportunity cost of investment which could delay the purchase of the new grinding machine AN therefore reducing the ability of GBS to meet increasing demand L2 AN. • The app could crash causing customers to be unable to place orders AN and going elsewhere to purchase building materials APP resulting in a loss of sales and therefore profit. Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(a)</td><td>Refer to lines 24–25. Calculate the accounting rate of return (ARR) for the new grinding machine.

Indicative content
<table>
<tr><th>Note</th><th>Answer</th><th>Mark</th></tr>
<tr><td>Correct answer with or without working</td><td>9000 / 55 000 × 100 = 16.4% OR 16.36%
Accept 16.4 OR 16.36</td><td>2</td></tr>
<tr><td>One or more of the following:
• Average profit
• Average investment
• ARR equation</td><td>45 000 / 5 = 9000 [Accept 9]
110 000 / 2 = 55 000 [Accept 55]
ARR =Average profit / Average investment × 100</td><td>1</td></tr>
<tr><td>Zero marks</td><td>No creditable response</td><td>0</td></tr>
</table></td><td>2</td></tr>
<tr><td>3(b)</td><td>Refer to Table 1.1. Calculate the net present value (NPV) of the new grinding machine.

Indicative content
<table>
<tr><th>Note</th><th>Answer</th><th>Mark</th></tr>
<tr><td>Correct answer with or without working</td><td>$22 000 OR 22 000
Accept: $22 OR 22</td><td>2</td></tr>
<tr><td>One or more of the following:
• Discounted cashflows Yrs 1–5
• NPV equation</td><td>19 + 27.3 + 25.8 + 28.7 +31.2 = 132 (000)
Sum of discounted future cash flows minus the initial cost</td><td>1</td></tr>
<tr><td>Zero marks</td><td>No creditable response</td><td>0</td></tr>
</table></td><td>2</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>

Evaluate whether GBS should purchase the new grinding machine.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
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</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
3(c)	All annotation (K APP AN L2 EVAL L2 EVAL L3 EVAL) should be in the left margin. **Indicative content** **AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of <u>one</u> factor in the decision.* *Developed knowledge* K + K *will be demonstrated through knowledge of <u>two</u> or more factors in the decision.* • Understanding of investment appraisal methods – NPV, ARR, payback period. • Understanding of possible qualitative factors in investment decision – business attitudes, risk, impact on stakeholders, external factors, consistency with business objectives/strategy availability of finance. **AO2 Application** *Limited application,* APP *applies knowledge to GBS once.* *Developed application,* APP + APP *applies knowledge to GBS twice.* • Requirement for skilled operator. • Loan finance is available. • Use of data in Table 1.1 from manufacturer and Mo's experience. • Impact on unit costs. • Use of answers to **Q3(a)** and **3(b)** (OFR applies). • NPV is positive $22 000. • ARR is 16.4%. • Payback and is in 4th year, 3 years and 10.3 months or 3.86 years. • Discounted payback is 4 years 3.5 months or 4.29 years.	

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Question	Answer	Marks
3(c)	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Payback is within the 4th year so the investment is forecast to be profitable AN and therefore potentially worth investing in L2 AN. • NPV is positive and should therefore be considered as a worthwhile investment AN. • GBS may need to finance the investment through borrowing which will increase the gearing of GBS AN and this increases risk for shareholders L2 AN. • The investment would enable GBS to meet the increasing demand for its products and therefore potentially increase profit AN. • The grinding machine would decrease unit costs and therefore GBS could set lower prices AN which should result in an increase in demand L2 AN. • NPV (positive) and ARR is higher than 5% cost of finance indicating GBS should go ahead AN. **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Data and investment appraisal methods strongly support the purchase but are the figures accurate and reliable? • Is a 5-year life realistic? Can data over a 5-year future period be relied on? • Qualitative factors may be as or more important than calculations. • May not be reliable or accurate – can the manufacturer's data be relied on? They are trying to make a sale so data may be optimistic plus Mo has not done any market research or research into cost savings (relied on experience). • Are there any other possible investments or changes that will meet GBS's needs? Little evidence of other possibilities other than the bullet points in last section – might finance be better spent on one of these? • Can GBS afford another course of action as well as the purchase if it goes ahead? • These points support the conclusion that more detailed research into sales and cost savings including checking the existing data is needed before making a decision. • Is there a time scale for making the decision? • Are there other possible ways for growth to occur? Need to investigate before deciding. • In view of other possible options/actions in the case more research would be justified before deciding. Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(a)</td><td>Calculate the price elasticity of demand (PED) for GBS's gravel product when the price decreased from $90 to $81 per tonne.
<table>
<tr><th>Note</th><th>Answer</th><th>Mark</th></tr>
<tr><td>Correct answer with or without working</td><td>–2.5</td><td>4</td></tr>
<tr><td>Negative sign not included
All three of following stated:
• Equation for PED
• Percentage change in demand
• Percentage change in price</td><td>2.5

PED = % Change in Qd / % Change in P
25%
–10%</td><td>3</td></tr>
<tr><td>Two of the following
• Equation for PED
• Percentage change in demand
• Percentage change in price</td><td>

PED = % Change in Qd / % Change in P
25%
–10%</td><td>2</td></tr>
<tr><td>One of the following:
• Equation for PED
• Percentage change in demand
• Percentage change in price</td><td>

PED = % Change in Qd / % Change in P
600 / 2400 × 100 = 25%
–9 / 90 X 100 = –10%</td><td>1</td></tr>
<tr><td>Zero marks</td><td>No creditable response</td><td>0</td></tr>
</table></td><td>4</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

Evaluate the impact of elasticity measures when GBS makes marketing decisions.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2
•</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>1</td><td>1 mark
Limited knowledge
of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application
of relevant point(s) to the business context.</td><td>1 mark
Limited analysis
that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

Indicative content

AO1 Knowledge and understanding
Limited knowledge K *will be demonstrated through knowledge of elasticity measure or knowledge of the impact on GBS marketing decisions.*
Developed knowledge K + K *will be demonstrated through knowledge of elasticity measure and knowledge of the impact on GBS marketing decisions.*
- Explanation of elasticities – price, income, promotional.
- PED – responsiveness of Qd to a change in price.
- YED – responsiveness of Qd to a change in income.
- PrEd – responsiveness of Qd to a change in promotional spending.

Understanding of marketing decisions linked to elasticity:
- Effectiveness of change in price to impact demand and revenue.
- Effectiveness of additional promotional spending to increase demand and profit.
- Changing the product to reduce how responsive demand is to a change in price
- Changing place to reduce PED.

</td><td></td></tr>
</table>

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Question	Answer	Marks
4(b)	**AO2 Application** *Limited application,* APP *applies knowledge to GBS once.* *Developed application,* APP + APP *applies knowledge to GBS twice.* • GBS extracts and distributes sand and gravel – product decision. • Decrease in price of 10% resulted in an increase in demand of 25%. • GBS considering cuts in price. • Estimated impact of a 25% increase in promotional expenditure is an increase in demand of 27.5%. • Source of information is building trade journal. • GDP in country Q increasing by 8%. • Asking for government help for construction industry. • PED for GBS gravel product is -2.5 (price elastic). • Elasticity of demand for all industry gravel products: YED is 1.8 (income elastic), PrEd is 1.1 (promotion elastic). **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Trade journal may be out of date so elasticity data may not be accurate AN. • As demand for gravel products is price elastic this gives support for reducing price AN as this will lead to a more than proportionate change in demand and therefore increase revenue L2 AN. • The promotional elasticity of demand supports increasing spending on promotion AN and this will contribute to meeting GBS's growth objectives L2 AN. • With rising GDP and a positive income elasticity of demand for gravel products demand should continue to rise AN therefore GBS does not need to reduce price or increase promotion to achieve its growth objectives L2 AN. • Luxury homes are likely to have a high income elasticity of demand and therefore GBS can benefit from producing more high value products AN as rising GDP will result in an increase in the demand for luxury homes L2 AN. • The reaction of competitors to any cut in price made by GBS will impact the accuracy of the estimate of PED AN.	

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Question	Answer	Marks
4(b)	**AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Table 1.2 only refers to gravel products, Gordy's PED is for only one product. This means the data can only form part of an input to a marketing strategy. • Proposals: PED indicate that a price fall will significantly increase demand so this should form part of any marketing strategy for gravel products in line with objective of growth. Effect on profits depends on costs of producing more. • Income elasticity indicates GBS should prepare for an increase in demand independent of any price or promotional changes. • The above is subject to GBS's products facing the same market conditions as all industry gravels. • Marketing strategy: sand products have no market information, though likely to be influenced by income in a similar way to gravel products as construction industry demand grows. • A marketing strategy is much wider than just considering elasticities and GBS should use other tools and indicators when deciding on an overall strategy. Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>
Evaluate the extent to which corporate social responsibility (CSR) should influence GBS's decision to expand into new land.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2
•</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
</table>
</td><td>12</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>1</td><td>1 mark
Limited knowledge
of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application
of relevant point(s) to the business context.</td><td>1 mark
Limited analysis
that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

Indicative content
AO1 Knowledge and understanding
Limited knowledge K *will be demonstrated through knowledge of CSR or knowledge of how CSR could impact GBS's decision to expand into new land.*
Developed knowledge K + K *will be demonstrated through knowledge of CSR and knowledge of how CSR could impact GBS's decision to expand into new land.*
- Knowledge/explanation of CSR, including social or environmental audits.
- Business should take into account impact of decision on society and the environment.
- Stakeholder view vs shareholder view.
- Role of pressure groups.
- Cost of implementing CSR policies.

Benefits to GBS of CSR approach:
- Image
- Retention of employees
- Increased sales
- Adds value
- Possible objectives of GBS
- Use of financial investment appraisal methods in making the decision.

</td><td></td></tr>
</table>

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Question	Answer	Marks
5	**AO2 Application** *Limited application,* APP *applies knowledge to GBS once.* *Developed application,* APP + APP *applies knowledge to GBS twice.* • Paying an incentive to local government official is unethical. • Economy requires increased supply of building materials. • Need for permission from local government. • Gordy has objective of expansion. • Using renewable energy to extract materials. • Job creation from expansion. • Protests from villagers about pollution and noise. • Mo is concerned about the cost of CSR to GBS. **AO3 Analysis** *Limited analysis* AN *- candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *- candidate shows two or more links in the chain of analysis.* • Failing to take account of CSR when making decisions could result in negative publicity and a loss of reputation AN this could result in losing contracts to supply building materials resulting in a loss of revenue and profit L2 AN. • Implementing socially responsible actions such as using renewable energy could increase costs and therefore reduce the profitability of the expansion AN. • Businesses are part of society and therefore have a moral responsibility to consider the impact of their decisions on society AN. • Making profit is the primary goal of private sector business and therefore it is acceptable to make any decision as long as it is within the law AN to increase profit on behalf of the owners L2 AN. • Due to the housing shortage society will benefit significantly by GBS producing more building materials AN therefore GBS does not need to take account of other CSR issues L2 AN.	

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Question	Answer	Marks
5	**AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Weighing up the financial vs non-financial considerations. • If expansion is a primary objective this may be more important than profit as long as costs are covered. • How committed are Gordy and Mo to CSR or to maximising profit? At the moment we are not sure. • Does practising CSR actually lead to an increase in costs? Short term costs vs long term savings. • How important is CSR to GBS's customers? Construction businesses are more likely to be interested in minimising their costs rather than purchasing supplies from a business practicing good social responsibility. • Conclusion as to extent of influence of CSR. Accept all valid responses.	

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Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/32**

Paper 3 Business Decision-Making **May/June 2024**

INSERT **1 hour 45 minutes**

8009346229-I

INFORMATION

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

alpha

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2

Soymai Farms (SF)

SF is a private limited company. SF owns three farms in country B. SF's core activity is growing a range of agricultural crops. Soya and maize account for 90% of output. Most of SF's output is sold to manufacturers of products such as soymeal and soya oil.

To increase value added, SF has diversified into manufacturing soya-based products including tofu and soya ice cream. SF owns a factory close to its farms. SF's sales of tofu have been successful since it was launched in 2010. SF has developed its branding and sells tofu to independent retailers and a national supermarket in country B.

Flexible employment contracts

Core workers, who are employed on full-time permanent contracts, include mechanics, farm labourers and machine operatives. Labour turnover is low.

Most employees, however, have flexible employment contracts which include temporary or zero-hour contracts. These employees are unskilled and receive limited training. All employees on flexible contracts are paid the same hourly wage.

Market conditions and sales forecasting

The market for soya and maize is competitive and SF has to accept the price set in the market in country B. Output can vary significantly each year because of the weather and this affects the market price. Country B currently imposes tariffs on all imported agricultural commodities, including soya and maize. Processed food imports also have a tariff of 10%.

There is a growing market for non-dairy products in country B. In 2015, SF launched Sosoy Ice Cream as a premium non-dairy ice cream. SF's marketing department is responsible for forecasting sales and makes use of industry market reports, its own market research and quantitative techniques such as time series analysis. Table 1.1 is an extract of sales data for Sosoy Ice Cream. The marketing department is using it to forecast sales for 2024 and 2025.

Table 1.1 Sosoy Ice Cream selected sales data by volume (000 litres)

Year	Quarter	Sales volume	Centred quarterly moving average
2022	3	29	22.75
	4	20	23.00
2023	1	16	23.75
	2	27	**See Q3(b)**
	3	35	26.00
	4	24	
2024	1	20	

SF does not yet export any manufactured products. However, SF's latest SWOT analysis highlights opportunities to sell its food products in neighbouring countries. The Marketing Director has recommended that SF export Sosoy Ice Cream to country D.

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3

Factory operations nearing capacity

With the increasing sales of Sosoy Ice Cream, tofu and other soya products, capacity utilisation is a problem as it is above 90%. The factory already operates three shifts a day to fulfil demand. SF's Managing Director is considering whether to expand capacity to meet forecast demand. He believes there are two viable options:

- invest in the latest technology to automate production in the existing factory
- outsource production of Sosoy Ice Cream.

Table 1.2 provides details of the investment appraisal for automating production. SF sets a minimum ARR for investments of 20%.

Table 1.2 Investment appraisal data

	Net cash flow ($m)
Year 0 (capital cost)	(3.0)
Year 1	0.3
Year 2	0.5
Year 3	0.8
Year 4	1.0
Year 5	1.1
Year 6 (Including residual capital value of $0.5m)	1.7

Quality problems

SF uses quality control inspectors to check final products meet quality standards. The factory manager is concerned about a rise in the proportion of soya ice cream and tofu rejected by inspectors in the last year. She has discussed this with directors, who have decided to implement total quality management (TQM) at SF.

International trade

The cost of key inputs such as fertiliser and energy has risen recently, increasing pressure on SF to raise prices to customers. SF imports fertiliser into country B from country D.

The government of country B has negotiated to join a zero-tariff international trading agreement, the NFTA. The NFTA is a trading bloc of seven countries including country D and other neighbours of country B. The members are high-income countries and include one of the largest producers of soya in the world. The government argues that joining the NFTA will raise living standards and agricultural efficiency. Country B will join the NFTA in January 2025.

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Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

BUSINESS **9609/32**

Paper 3 Business Decision-Making **May/June 2024**

1 hour 45 minutes

You must answer on the question paper.

You will need: Insert (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use an HB pencil for any diagrams, graphs or rough working.

INFORMATION

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

This document has **12** pages. Any blank pages are indicated.

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[Turn over

Answer **all** questions.

1 Analyse **two** advantages to SF of using flexible employment contracts.

..... [8]

2 Analyse **two** problems SF may experience when implementing total quality management (TQM).

..... [8]

3 **(a)** Refer to Table 1.1. Calculate for quarter 1, 2023, the seasonal variation.

..... [1]

(b) Refer to Table 1.1. Calculate for quarter 2, 2023, the centred quarterly moving average.

..... [3]

(c) Evaluate the usefulness to SF of sales forecasting.

..... [12]

4 **(a)** Refer to Table 1.2. Calculate the accounting rate of return (ARR) of automating production.

..... [4]

(b) Evaluate whether SF should invest in automating production.

..... [12]

5 Evaluate the impact on SF of country B becoming a member of the NFTA international trading agreement.

..... [12]

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CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/32**

Paper 3 Business Decision-making **May/June 2024**

MARK SCHEME

Maximum Mark: 60

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 May/June 2024 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

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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 descriptions 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.

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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.

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PUBLISHED

Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion).

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer.
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Guidance on using levels-based marking

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The examiner should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:

- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range.
- If the candidate's work **just** meets the level statement, award the lowest mark.
- L1, L2 etc. must be clearly annotated on the response at the point where the level is achieved.

Assessment objectives

AO1 Knowledge and understanding
Demonstrate knowledge and understanding of business concepts, terms and theories.

AO2 Application
Apply knowledge and understanding of business concepts, terms and theories to problems and issues in a variety of familiar and unfamiliar business situations and contexts.

AO3 Analysis
Analyse business problems, issues and situations by:
- using appropriate methods and techniques to make sense of qualitative and quantitative business information
- searching for causes, impact and consequences
- distinguishing between factual evidence and opinion or value judgement
- drawing valid inferences and making valid generalisations

AO4 Evaluation
Evaluate evidence in order to make reasoned judgements, present substantiated conclusions and, where appropriate, make recommendations for action and implementation.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>
Analyse <u>two</u> advantages to SF of using flexible employment contracts.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
1	**Note:** • Only reward advantages. • If more than two advantages are referred to, reward the best two. • L2AN (3 marks) is possible for just one point made. All annotation (K APP AN L2) should be in the left margin. **Indicative content** **AO1 Knowledge and understanding** Definition of relevant terms (max K 1 mark) • Flexible contracts include making use of temporary, part-time and zero-hour contracts rather than permanent full-time contracts. – Temporary contracts offered for fixed period. – Part-time contracts; employees contracted to work for less hours than full-time. – Zero-hour contracts; no guaranteed minimum number of hours. – It can allow employees to work at home/pick the hours they work. Knowledge of benefits (max K 2 marks) • Benefits include: – Can reduce fixed costs. – Adjusting labour costs flexibly. – More employees available to cover sickness. – SF can check efficiency of employees before offering full-time contracts. – Motivating for employees because can pick their own hours/allows employees to work at home. **AO2 Application** *Limited application,* APP *applies knowledge to SF once.* *Developed application,* APP + APP *applies knowledge to SF twice.* *Max one* APP *for application for the first advantage and max one* APP *for application for the second advantage.* • Seasonal nature of farming. At harvest time more demand for labour on the farms to harvest crops. • Competitive markets that SF operates in. • There is seasonal demand for Sosoy Ice Cream so there is a need to vary production. • SF employs peripheral employees on temporary or zero-hour contracts linked to seasonal production.	

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Question	Answer	Marks
1	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Temporary contracts enable SF to respond flexibly to changing labour needs over time reducing costs for the business AN. • Reducing costs will enable SF to set competitive prices AN which can attract customers and therefore increase market share L2 AN. • SF will be able to call in workers when needed if other employees are sick or on maternity leave thus ensuring that production is not disrupted AN. • Zero-hour contracts enables SF to increase production quickly in response to unexpected changes in demand meeting customer needs more efficiently and boosting sales AN which may result in an increase in profit L2 AN. • Motivating for employees because they can pick their own hours/allow employees to work at home this would lead to lower employee turnover AN which would reduce costs for SF. L2 AN Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>
Analyse <u>two</u> problems SF may experience when implementing total quality management (TQM).
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
2	**Note:** • Only reward problems/disadvantages. • If more than two problems are referred to, reward the best two. • L2AN (3 marks) is possible for just one point made. All annotation (K APP AN L2) should be in the left margin. **Indicative content** **AO1 Knowledge and understanding** Definition of relevant terms (max K 1 mark) • TQM is a method of quality assurance that aims to involve all employees in quality improvements. • Encourages workers to get it right first time and to achieve zero defects. Knowledge of problems when implementing TQM (max K 2 marks) • Problems may include: – Cost of training for employees. – Resistance from employees. – Short term negative impacts on productivity and or quality as changes are embedded. – Lack of managerial skills of motivation, delegation of decision making, teamwork, communication and coordination. – Requires a change in culture within the business. – Impact of making quality inspectors redundant. – Time consuming – with a reason e.g. training staff, changing culture, change policies, employees checking work. – Nature of the product – TQM on ice cream – how to implement quality checks? **AO2 Application** *Limited application,* APP *applies knowledge to SF once.* *Developed application,* APP + APP *applies knowledge to SF twice.* *Max one* APP *for application for the first problem and max one* APP *for application for the second problem.* • SF's use of flexible contracts including part-time, temporary and zero-hours. • Temporary workers employed at harvest time for short period. • Current approach focuses on detection of quality problems rather than prevention. • Factory operating close to capacity. • Limited training given to peripheral employees. • Unskilled workers – more training required.	

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Question	Answer	Marks
2	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Difficult to change culture of business as many employees are on flexible contracts and may therefore lack commitment to the business AN. • Cost of training will be relatively high as workers on temporary contracts not in the business for long. Each new group of temporary workers at harvest time each year will need training, increasing costs AN. • No need for quality inspectors so may need to make redundancies AN adding to costs of implementation and causing concerns over job security which could reduce productivity L2 AN. • In short-term may result in increase in defective products as adjusting to TQM approach takes time. This could result in short-term customer dissatisfaction and impact sales negatively AN and therefore reducing profit L2 AN. Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(a)</td><td>Refer to Table 1.1. Calculate for quarter 1, 2023, the seasonal variation.

Seasonal variation = 16 – 23.75 = – 7.75 OR – 7750 OR (7.75) (1)
Note:
No mark for 7.75 OR 7750.</td><td>1</td></tr>
<tr><td>3(b)</td><td>Refer to Table 1.1. Calculate for quarter 2, 2023, the centred quarterly moving average.

<table>
<tr><th>Note</th><th>Answer</th><th>Mark</th></tr>
<tr><td>Correct answer</td><td>25 OR 25 000</td><td>3</td></tr>
<tr><td>Correct method but no correct final answer
OR
Calculation of 8 period moving total</td><td>98+102 = 200
OR
98 000 + 102 000 = 200 000
OR
200 / 8 OR 200 000 / 8

Note: 200 OR 200 000 written on its own is 0 marks
Accurate method must be shown</td><td>2</td></tr>
<tr><td>Calculation of one or more correct 4 period moving totals

OR

Knowledge of correct method</td><td>20 + 16 + 27 + 35 = 98 OR/AND 16 + 27 + 35 + 24 = 102
OR
4 period MA = 8 period moving total / 8
OR
102 / 4 = 25.5</td><td>1</td></tr>
<tr><td>Zero marks</td><td>No creditable response
For example, just provides incorrect 4 period moving total</td><td>0</td></tr>
</table>
For anything other than the full mark answer there should be relevant working.</td><td>3</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>

Evaluate the usefulness to SF of sales forecasting.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
3(c)		

0	0 marks No creditable response.	0 marks No creditable response.	0 marks No creditable response.	0 marks No creditable response.

All annotation (K APP AN L2 EVAL L2 EVAL L3 EVAL) should be in the left margin.

Indicative content

AO1 Knowledge and understanding

Limited knowledge K *will be demonstrated through knowledge of sales forecasting or knowledge of the usefulness or limitations of sales forecasting to SF.*

Developed knowledge K + K *will be demonstrated through knowledge of sales forecasting and knowledge of the usefulness or limitations of sales forecasting to SF.*

- Sales forecasting involves making a prediction of future sales.
- Time series analysis is a method of forecasting based on extrapolation from past data.
- Benefits of sales forecasting include:
  - Contribution to workforce planning
  - Planning purchase of resources
  - Greater accuracy in cash flow forecasting
  - Aids operational decisions such as need to increase capacity
  - Aids decisions about pricing
- Drawbacks of sales forecasting include:
  - Inaccuracy
  - Dynamic market
  - Doesn't take into account qualitative factors
  - Past can't predict the future
  - Moving averages are based on past data

AO2 Application

Limited application, APP *applies knowledge to SF once.*

Developed application, APP + APP *applies knowledge to SF twice.*

- Reference to current capacity utilisation of over 90%.
- Need for forecast of sales if start to export to country D.
- Role of market reports and market research in forecasting.

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Question	Answer	Marks
3(c)	• Identifying likely demand for tofu and Sosoy Ice Cream. • Identifying employees needed in factory and decision about employment contracts to use. • Inability to control the weather. **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Helps ensure efficient use of labour and machinery helping to control costs of production AN and therefore increase profit L2 AN. • Contributes to creating cash flow forecast which will help ensure that SF has sufficient finance in place to deal with future needs AN. • Sales forecasts for entering country D will help evaluate whether break-even can be achieved AN and therefore whether exports are likely to be successful L2 AN. • Because the market is dynamic it could lead to misallocation of resources such as having too many peripheral employees in the factory AN which would lead to increased costs L2 AN. **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Using 4 period moving average fits the data well as there are clear seasonal variations ensuring that the technique is more likely to give reliable results. • Unexpected changes in the external environment such as entry of a new competitor will result in the predictions being incorrect and therefore less useful in making the best decisions. • TSA relies on future events behaving as in the past so may not be reliable as markets are dynamic. • May be advisable to introduce an element of probability to the forecasts – what if analysis? • The longer the time frame the less useful the forecast is because there are more likely to be external events that impact the forecast. • Using simple moving averages and a line of best fit may be too simplistic. • Usefulness is limited if managers don't use the sales forecast to make decisions. • Should be used in conjunction with qualitative data and current market data to improve usefulness. Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(a)</td><td>Refer to Table 1.2. Calculate the accounting rate of return (ARR) of automating production.
<table>
<tr><th>Note</th><th>Answer</th><th>Mark</th></tr>
<tr><td>Calculation of ARR
Working and % not required
Correct rounding must be applied</td><td>0.4 / 1.75 × 100 = 22.86(%) OR 22.9 OR 23</td><td>4</td></tr>
<tr><td>Calculation of average profit
and
average investment
OR
An incorrect answer with one mistake allowing OFR for final stage
Not subtracted capital cost
OR
Incorrect rounding
OR
Subtracted residual value rather than adding (OFR)</td><td>0.4 OR $0.4 m
and
1.75 OR $1.75 m

0.9 / 1.75 x 100 = 51.43%

e.g. 22.83

0.4 / 1.25 × 100 = 32%</td><td>3</td></tr>
<tr><td>Calculation of average profit
OR
Calculation of profit and average investment
OR
Calculation of profit and statement of ARR equation
OR
Calculation of average investment and statement of ARR equation
OR
0.9 and statement of ARR equation</td><td>2.4 / 6 = 0.4 OR $0.4 m

$2.4m AND $1.75 m

$2.4m AND ARR = Average profit / average investment X 100

$1.75m AND ARR = Average profit / average investment × 100

0.9 AND AND ARR = Average profit / average investment × 100</td><td>2</td></tr>
</table></td><td>4</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(a)</td><td>
<table>
<tr><th>Note</th><th>Answer</th><th>Mark</th></tr>
<tr><td>Calculation of profit
OR
Calculation of average investment
OR
ARR equation
OR
Attempt to calculate mean yearly profit without deducting capital cost</td><td>(0.3 + 0.5 + 0.8 + 1.0 + 1.1 + 1.7) – 3.0 = 2.4 OR $2.4 m
(3.0 + 0.5) / 2 = 1.75 OR $1.75 m

ARR = Average profit / average investment × 100

5.4 / 6 = 0.9</td><td>1</td></tr>
<tr><td>Zero marks</td><td>No creditable content</td><td>0</td></tr>
</table>
Note: No mark for non-syllabus equation: Average profit/capital cost × 100
</td><td></td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

Evaluate whether SF should invest in automating production.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
4(b)		

0	0 marks No creditable response.	0 marks No creditable response.	0 marks No creditable response.	0 marks No creditable response.

Indicative content

AO1 Knowledge and understanding
Limited knowledge K *will be demonstrated through knowledge of <u>one</u> factor in the decision.*
Developed knowledge K + K *will be demonstrated through knowledge of <u>two</u> or more factors in the decision.*

- Automation will reduce the relative number of employees.
- Other factors in decision:
  - Cost
  - Availability of finance
  - Impact on employees
  - ARR
  - Payback results and NPV
  - Control over quality
  - Benefits/limitations of alternatives such as outsourcing
  - Production may/should increase
  - Less mistakes made

AO2 Application
Limited application, APP *applies knowledge to SF once.*
Developed application, APP + APP *applies knowledge to SF twice.*
Use of results to investment appraisal OFR/case study information.

- ARR is above criterion rate of 20%.
- Payback is 4 years and 4 months (4.36 years). Allow within 5 years. Allow 132.7 days.
- Sales forecast data shows clear upward sales trend of ice cream.
- Capacity utilisation is 90%.
- Plans to export to country D.
- Possible impact of joining free trade area.

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Question	Answer	Marks
4(b)	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Reduction in number of employees will reduce unit labour costs of production AN. This will help reduce unit costs and could result in a higher profit margin L2 AN or a lower selling price leading to increased sales L2 AN. • Outsourcing could reduce control over quality and increase chance of poor-quality food reaching customers and consumers resulting in dissatisfaction AN and therefore a loss of sales L2 AN. • Joining free trade area in January 2025 may lead to increased exports increasing pressure on capacity AN therefore SF need to increase capacity to meet expected demand L2 AN. • The capital investment cost required for automating would mean sacrificing alternative investment decisions AN. **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Elements that the evaluation/judgement might depend on: – Accuracy of the data over 6 years. – Significance of retaining control over quality for food products. – Depends on whether the increase in demand is long-term. – Reaction of employees and consideration of duty to them. – Availability of finance. – How long will it take to implement? – Impact on quality. – Availability of appropriately trained/skilled labour. Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>
Evaluate the impact on SF of country B becoming a member of the NFTA international trading agreement.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
</table>
</td><td>12</td></tr>
</table>

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Question	Answer	Marks
5		

0	0 marks No creditable response.	0 marks No creditable response.	0 marks No creditable response.	0 marks No creditable response.

Indicative content

AO1 Knowledge and understanding

Limited knowledge K *will be demonstrated through knowledge of international trading agreements or knowledge of how the international trading agreement could impact SF.*

Developed knowledge K + K *will be demonstrated through knowledge of international trading agreements and knowledge of how the international trading agreement could impact SF.*

- Free trade area removes tariffs and quotas between member states but allows country B to set tariffs against non-member states.
- Reduce cost of trading between countries.
- Increased competition.
- Reduce import costs.
- Increased potential ability to export products.

AO2 Application

Limited application, APP *applies knowledge to SF once.*

Developed application, APP + APP *applies knowledge to SF twice.*

- Reduce cost of fertiliser imports from country D.
- A member of the NFTA is one of the largest producers of soya in the world.
- High income of NFTA member states.
- Membership will facilitate exports of Sosoy Ice Cream.
- Country B currently has tariffs on agricultural commodities and processed food products.
- SF's manufactured products are likely to be income elastic.

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Question	Answer	Marks
5	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Removal of tariffs will reduce the cost of importing fertiliser and therefore reduce the costs of producing soya and maize AN. Therefore, potential increase in profit margins or can reduce prices to increase sales L2 AN. • Free trade will increase competition from member states of NFTA which may result in lower sales for SF AN and reduce revenue and profit L2 AN. • Increase in consumer incomes due to free trade will increase demand for food products that SF sells AN. • As member states are high income countries free trade should enable SF to take advantage of likely demand for its food products AN and can increase exports L2 AN. **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Elements that the evaluation/judgement might depend on: – Impact on costs depends on proportion of imported inputs used in the production process. – Increased competition in the soya market likely to have significant impact as the product is undifferentiated so SF will have to reduce the price of its soya beans sold to manufacturers of soymeal and soy oil. – Export success of SF manufactured foods will depend on brand loyalty that exists in country D and other member states. • Supported identification of most important factor or consequence. Accept all valid responses.	

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Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/33**

Paper 3 Business Decision-Making **May/June 2024**

INSERT **1 hour 45 minutes**

3838267343-I

INFORMATION

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

alpha

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2

Sunil's Clothing Company (SCC)

SCC is a private limited company, owned by Sunil and his family. SCC is based in country Z, an island in Asia. Country Z is a developing economy. It is a popular manufacturing location for 'ready made clothing', which is exported to the rest of the world. SCC has grown quickly since it started in 2010 and now has two large factories. The clothing production work is labour intensive, carried out by mainly female workers using cloth cutting and sewing machines. SCC's clothes are bought in large quantities by budget 'fast-fashion' brands in developed countries, which then add their own labels and packaging. SCC's mission statement is 'reliable quality clothing at the lowest possible prices'.

Sunil also has a small team who produce individual 'bespoke' clothing items, made to specified designs required by customers. These are ordered by consumers in country Z and include outfits for weddings and other occasions. For these items, the emphasis is on uniqueness and quality and SCC is able to charge high prices, as customers can specify exactly what they want and know that their clothes will be 'one-off' designs. Sunil would like SCC to expand production of the more exclusive designs, as he knows that in the mass-produced fast-fashion market it faces increased competition, both from other local firms and from companies based in other Asian countries. Overall capacity utilisation for SCC's two factories is 85% on average, and Sunil is forecasting a 10% increase in sales next year.

External influences

SCC is impacted by changing external factors in country Z and also in the countries where its biggest customers are located. In country Z, inflation and unemployment are both rising and the currency has depreciated by 10% on average against major currencies. In the developed countries where SCC's fast-fashion business customers are based, inflation is also rising and consumers' real incomes are decreasing. There is also increasing consumer concern about unethical business practices used by some fast-fashion suppliers based in developing countries.

Human resource management (HRM)

Sunil values his employees, and their working conditions are better than those of most other workers in country Z. However, the work in SCC factories is repetitive. The hours spent working on sewing machines are long and temperatures are very high. Each worker has a daily clothing production target to meet. SCC pays above the local minimum wage and also provides meals and drinks for employees, taken during their regular breaks. Training is also provided and Sunil is always looking for skilled employees who can be promoted to the team that make bespoke clothing. There is a shortage of employees with these skills and experience.

Product development

SCC has had many enquiries from business customers about whether it can produce clothing using recycled material, reclaimed and processed from clothing that has been thrown away. There are an increasing number of companies that sell this type of cloth, but the costs are at least 50% higher than the usual suppliers used by SCC. Sunil does have worries about the employment practices used by his existing suppliers, as he is concerned that they pay below minimum wage to workers, some of whom are very young.

Sunil is planning to build an additional factory, which will be financed by a bank loan. The expanded bespoke clothing team will be located there, together with additional capacity for the production of fast fashion. SCC is also going to introduce new designs using recycled cloth, which will be manufactured in this factory.

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3

Table 1.1 Forecast net cash flows for the new factory.

	$ 000
Year 0	($150)
Year 1	20
Year 2	40
Year 3	80
Year 4	100
This investment has no residual value.	

45

50

Price elasticity of demand and income elasticity of demand

Real incomes in SCC's main export countries have fallen by 6% on average, and Sunil has estimated that demand for his fast-fashion clothing has increased by 8%. Sunil has also collected some sales figures, based on average prices, for fast-fashion and bespoke clothing items, as shown in Table 1.2.

55

Table 1.2 Data for price elasticity of demand (monthly unit sales)

Tour	Original price	New price	Unit sales before price increase (2020)	Unit sales after price increase (2021)	Price elasticity of demand
Bespoke clothing items	$200	$220	300	285	See 4(a)
Fast-fashion clothing	$5	$6	200 000	150 000	-1.25

60

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Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

BUSINESS **9609/33**

Paper 3 Business Decision-Making **May/June 2024**

1 hour 45 minutes

You must answer on the question paper.

You will need: Insert (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use an HB pencil for any diagrams, graphs or rough working.

INFORMATION

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

This document has **12** pages. Any blank pages are indicated.

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[Turn over

Answer **all** questions

1 Analyse **two** impacts on SCC of the changing external influences in country Z.

..... [8]

2 Analyse **two** benefits to SCC of developing new clothing products made from recycled materials.

..... [8]

3 **(a)** Refer to Table 1.1. Calculate the payback period for SCC's new factory.

..... [1]

(b) Refer to Table 1.1. Calculate the accounting rate of return (ARR) for SCC's new factory.

..... [3]

(c) Evaluate whether SCC should invest in the new factory.

..... [12]

4 **(a** Refer to Table 1.2. Calculate the price elasticity of demand (PED) for bespoke clothing.

..... [4]

(b) Evaluate the usefulness of PED and income elasticity of demand (YED) to SCC's sales forecasting for mass-produced clothing.

..... [12]

5 Evaluate the impact of SCC's HRM decisions on the future success of the business.

..... [12]

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CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/33**

Paper 3 Business Decision-making **May/June 2024**

MARK SCHEME

Maximum Mark: 60

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 May/June 2024 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

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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 descriptions 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.

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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.

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Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Guidance on using levels-based marking

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The examiner should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:
- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range.
- If the candidate's work **just** meets the level statement, award the lowest mark.
- L1, L2 etc. must be clearly annotated on the response at the point where the level is achieved.

Assessment objectives

AO1 Knowledge and understanding
Demonstrate knowledge and understanding of business concepts, terms and theories.

AO2 Application
Apply knowledge and understanding of business concepts, terms and theories to problems and issues in a variety of familiar and unfamiliar business situations and contexts.

AO3 Analysis
Analyse business problems, issues and situations by:
- using appropriate methods and techniques to make sense of qualitative and quantitative business information
- searching for causes, impact and consequences
- distinguishing between factual evidence and opinion or value judgement
- drawing valid inferences and making valid generalisations.

AO4 Evaluation
Evaluate evidence in order to make reasoned judgements, present substantiated conclusions and, where appropriate, make recommendations for action and implementation.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>

Analyse <u>two</u> impacts on SCC of the changing external influences in country Z.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

Note:
- If more than two impacts are referred to, reward the best two.
- Allow reference to external influences in other countries where SCC exports to, such as inflation and concerns about unethical practices.

All annotation (K APP AN L2) should be in the left margin.

</td><td>8</td></tr>
</table>

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Question	Answer	Marks
1	**Indicative content** Responses may include: **AO1 Knowledge and understanding** • Definition of external influences – factors outside the control of the business, inflation, unemployment and currency depreciation. (max K1 mark) • Generic impacts of rising inflation, rising unemployment and currency depreciation, such as falling real incomes, cheaper exports and more expensive imports. **AO2 Application** *Max one APP for application for the first element and max one APP for application for the second element.* • SCC is based in an island country in Asia, but exports mass produced clothing to developed countries. • The work in SCC's factories is sewing garments and employees are paid above the local minimum wage. • Consumers are concerned about unethical business practices so may be looking out for reports of 'sweat shop' conditions. • Skilled clothing workers are likely to be in high demand in Country Z. • SCC is highly reliant on business customers (B2B) in other countries, budget clothing brands. **AO3 Analysis** *Limited analysis AN – candidate shows one link in the chain of analysis.* *Developed analysis L2 AN – candidate shows two or more links in the chain of analysis.* • Development of application points, in terms of the likely impacts on SCC of the rising inflation and unemployment and depreciating currency. • Rising inflation will lead to an increase in input prices, AN employees may ask for higher wages as their cost of living increases, AN leading to higher costs and lower profitability. L2 AN • Local customers of bespoke items may not be able to pay high prices for exclusive designs, due to lower real incomes. All this could lead to lower demand AN , lower revenue and profits L2 AN	

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Question	Answer	Marks
1	• Rising unemployment may mean more consumers without wages and unable to pay high prices for exclusive designs. However, SCC may be able to employ sewing machinists on lower wages. This could lead to lower costs, but also less sales. L2 AN (2-sided analytical point) • Currency depreciation of 10% is quite a big change and will mean that SCC's exported clothing will seem 'cheap' in terms of currencies in developed countries, leading to greater competitiveness and higher export sales. AN However, imported resources will be more expensive in terms of local currency, leading to higher cost L2 AN (2-sided analysis) • Pressure groups could cause problems with government and negative media coverage, which could impact sales to 'ethical' consumers, leading to lower demand. AN Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>
Analyse <u>two</u> benefits to SCC of developing new clothing products made from recycled materials.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
Note:
• Only reward benefits.
• If more than two benefits are referred to, reward the best two.

All annotation (K APP AN L2) should be in the left margin.
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
2	**Indicative content** Responses may include: **AO1 Knowledge and understanding** • Meaning of new product research and development – changing materials and designs in response to customer trends in demand. (max K1) • Generic advantages of developing new products – keeping up with consumer trends in order to remain competitive. **AO2 Application** *Max one* APP *for application for the first element and max one* APP *for application for the second element.* • Recycled textile materials are made from previously 'thrown away' garments, which is a more sustainable use of resources and less waste. • Environmental benefits of use of recycled textile materials, will be favourable for SCC's reputation. • Marketing benefits of use of recycled materials, appealing to 'environmentally aware' consumers, who may be willing to pay higher prices, not only in developed countries but also in Country Z. • Sunil is worried about some of the possibly unethical employment practices used by his current suppliers of non-recycled cloth. • Recycled textile materials are more expensive by at least 50%, but prices can be set higher. • Use of recycled materials as a USP for SCC. **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Development of application points, in terms of the likely benefits to SCC of the use of recycled materials. • It is possible that demand for clothing made from recycled materials may be more price inelastic, so it will be possible to sell this range at higher prices AN leading to higher revenue and profit. L2 AN	

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Question	Answer	Marks
2	• Environmentally aware consumers may become loyal and help in building the brand, AN assuming designs are right. • SCC's product portfolio and target market will widen, AN spreading risk by moving away from reliance on mass produced clothing. This may mean less vulnerability to changes in demand for fast fashion, maintaining sales. L2 AN • Recycled textile materials are a relatively new development, so may make SCC more competitive, due to 'first mover advantage'. AN • Use of more sustainable resources may lead to more motivated workforce, could lead to increased productivity. AN Accept all valid responses.	

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Question	Answer	Marks
3(a)	**Refer to Table 1.1. Calculate the payback period for SCC's new factory.** All in $000 (150) + 20 + 40 + 80 = (10) 10/100 × 12 = 1.2 so 3 years and 1.2 months/3 years 2 months/3.1 years/3 years and 36.5 or 37 days (1)	**1**
3(b)	**Refer to Table 1.1. Calculate the accounting rate of return (ARR) for SCC's new factory.** ARR = average profit/average investment x 100 OR where the average investment = $\frac{\text{initial capital cost + residual capital value}}{2}$ (Maximum 1 mark, if no valid calculation) Average investment = (150m + 0) / 2 = 75m (1) OR Total net cash flow (all $m) = 240 – set-up costs 150 = 90. (1) 90/4 = 22.5. (2) OR 22.5 / 75 × 100 (2) 22.5 / 75 × 100= 30% (3) Common error – forget to deduct original cost = 240 / 4 = 60 60 / 75 × 100 = 80% (2) % not needed for full marks Alternative formula: average profit / initial investment x 100 22.5 / 150 = 15% (2) % not needed for full marks Incorrect units, e.g. $30 (2)	**3**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>

Evaluate whether SCC should invest in the new factory.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
3(c)	OFR for **3(a)** and **3(b)** All annotation (K APP AN L2 EVAL L2 EVAL L3 EVAL) should be in the left margin. **Indicative content** Responses may include: **AO1 Knowledge and understanding** • Knowledge of IA methods, such as payback, ARR, but also net present value (NPV). • The new production unit will increase capacity so generic knowledge of capacity utilisation. • Knowledge of other relevant quantitative or qualitative factors. **AO2 Application** *Limited application,* APP *applies knowledge to SCC once.* *Developed application,* APP + APP *applies knowledge to SCC twice* • The new production unit will increase capacity for bespoke items. • Factories currently operating at 85%. • The new production unit will also be used to develop the new products made from recycled textile materials. • There will be a need for more trained employees to make the clothing and these are in short supply. • It may be possible to promote some trained employees from the original two factories. • Payback (year 4) and ARR is quite high (30%) (OFR here). • Relies on demand for bespoke items increasing as well as successful market entry into market for clothing made from recycled textiles. • SCC are intending to take a bank loan to finance the new unit, which will attract interest payments/increase gearing.	

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Question	Answer	Marks
3(c)	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Development of application points, in terms of the likely advantages and disadvantage to SCC of the new production unit, including impact on costs, reliance on future sales and revenue. • An increase in capacity is needed if demand increases, as they are working at 85% currently. This will enable SCC to produce more clothing. AN This should lead to higher sales and revenue, as suggested by the forecast figures. L2 AN • However, it may be difficult to staff the new unit with specialist workers, as they may be hard to find in Country Z. This may mean that Sunil needs to set up his own training sessions, which could be costly. AN • Wage rates may also need to be higher, given the scarcity of skilled workers, adding to costs AN and potentially decreasing profits if prices cannot be increased. L2 AN • Given SCC's current product portfolio, the main products being mass-produced clothing, the marketing mix will need to be changed to target 'environmentally aware' customers, this could add to marketing costs AN possibly decreasing profits if it takes time to reach these customers and increase sales. L2 AN **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Either conclusion rewardable as long as it is justified. • In the short term, this will be costly ($150 000) and will the bank be willing to lend? • How secure may the sales forecasts be, given the economic situation in Country Z and the other export countries. • There is considerable risk involved, especially in the untried market for recycled clothing. Is Sunil (and family) willing to take the risk? Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(a)</td><td>Refer to Table 1.2. Calculate the price elasticity of demand (PED) for bespoke clothing.

Table 1.2 Data for price elasticity of demand
<table>
<tr><th>Tour</th><th>Original price</th><th>New price</th><th>Sales before price increase (2020)</th><th>Sales after price increase (2021)</th><th>Price elasticity of demand</th></tr>
<tr><td>Bespoke clothing items</td><td>$200</td><td>$220</td><td>300</td><td>285</td><td></td></tr>
</table>
PED = % change in quantity demanded / % change in price (1 mark if no relevant calculations)
% change in quantity demanded = -15/300 × 100 = -5% (1) (minus sign needed)
% change in price 20 / 200 × 100 = 10% (1)
PED = – 5% / 10% = – 0.5 (4)
0.5 (3)
Incorrect units e.g. $–0.5 (3)
$0.5 (2)</td><td>4</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

Evaluate the usefulness of PED and income elasticity of demand (YED) to SCC's sales forecasting for mass-produced clothing.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
4(b)	**OFR for 4(a)** All annotation (K APP AN L2 EVAL L2 EVAL L3 EVAL) should be in the left margin. **Indicative content** Responses may include: **AO1 Knowledge and understanding** • Knowledge and meaning of PED and YED – responsiveness of demand to a change in income or price. • Generic knowledge of PED and values, including price elastic/inelastic. • Generic knowledge of positive and negative income elasticity and meaning of income elastic/income inelastic demand. • Generic knowledge of reasons for sales forecasting and sales forecasting methods, such as extrapolation, correlation, time series analysis. (maximum 1K mark) **AO2 Application** *Limited application,* APP *applies knowledge to SCC once.* *Developed application,* APP + APP *applies knowledge to SCC twice* • The customers of SCC's mass-produced clothing are B2B budget brand companies, whereas the bespoke items are sold to consumers so B2C. • Pricing should take into account the target market, but also in this case fast fashion is being sold 'in bulk', whereas bespoke items are 'one off'. • Elasticity calculation suggest that mass-produced clothing has price elastic demand, but is also an inferior product, with demand increasing as real incomes fall. • Mass-produced (fast fashion) clothing sales will be highly sensitive to changes in fashion and consumer tastes. • Fast fashion clothing has a YED of –1.33 (inferior product). • Calculations of revenue from table 1.2 before and after price increases: Bespoke clothing $60 000 increased to $62 700. Fast fashion $1 000 000 decreased to $900 000 **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.*	

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Question	Answer	Marks
4(b)	• Development of application points, in terms of the likely usefulness of price and income elasticities in sales forecasting. • Price elastic demand for mass-produced clothing suggests that B2B customers are price sensitive, and that decreasing prices is likely to result in higher revenues. AN This could mean that the currency depreciation will stimulate sales as it leads to cheaper export prices. L2 AN • Negative income elasticity (–1.33) for mass-produced clothing suggests that falling real incomes may lead to higher demand AN as business customers opt away from higher priced suppliers, as they know that their customers will be looking for cheaper prices, this could also stimulate demand from the budget brand companies. L2 AN • Sunil has past sales data, so forecasting based on this may be a good starting point, such as time series analysis or simple extrapolation, will enable him to predict sales. AN • However, markets are dynamic and the mass-produced clothing market is becoming more competitive. This may mean the likelihood of a price war. AN This would probably mean that elasticity data is not up to date and predicted demand may be lower, resulting in lower revenues. L2 AN • Consumers are becoming more concerned about unethical business practises used by suppliers in developing countries. This could have a negative impact on SCC, especially if there is bad publicity or pressure group activity, leading to lower sales. AN **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • It will be useful for SCC to keep a close watch on response from customers to both price and income changes, as these will have big influences on their ability to buy. • However, other parts of the marketing mix and strategy will also be important, especially keeping up with fashion trends. • Currency fluctuations, such as the depreciation may be short or long term and will vary across different currencies. • YED is especially unreliable, as mass-produced clothing will be a 'normal' good for low-income earners, but an inferior good for high-income earners. • Many other external factors could influence the demand for SCCs clothing, other than price and income changes. • Elasticity data goes out of date very quickly, given other changing influences. Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>

Evaluate the impact of SCC's HRM decisions on the future success of the business.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
5	All annotation (K APP AN L2 EVAL L2 EVAL L3 EVAL) should be in the left margin. **Indicative content** Responses may include: **AO1 Knowledge and understanding** • Role of HRM, in terms of managing employees to meet the business needs. • The differences between soft and hard HRM. • Relevant knowledge of the meaning of success, e.g. profit, growth, productivity, sustainability. • Generic knowledge approaches such as target setting, training, promotion and links to motivation. • Generic knowledge around approaches that may be suitable for different types of workers. **AO2 Application** *Limited application,* APP *applies knowledge to SCC once.* *Developed application,* APP + APP *applies knowledge to SCC twice* • Employees at SCC vary, with some lower and some higher skilled, depending on whether they are sewing fast fashion, or designing and making bespoke items. • The HRM approach seems to have elements of both hard (targets) and soft (training and refreshments) HRM. • Many clothing manufacturers means high demand for all types of clothing workers, but especially those with higher level skills. • Working conditions and pay seem to be above average, but still hard work in hot temperatures. • Decisions such as providing meals and drinks, training and promotion opportunities do suggest a soft approach. • Sunil wants to expand SCC, forecasting 10% sales increase. **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Development of application points, in terms of the likely impact of HRM approaches. • Chains of reasoning explaining why the approaches may work for SCC. For instance, target setting enables Sunil to judge employees' performance, potentially even give out productivity bonuses, improving efficiency AN, lowering average cost and increasing profit. L2 AN	

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Question	Answer	Marks
5	• Chains of reasoning explaining why the strategy may not work. For instance, target setting when employees are all working on different items may be difficult, could even lead to poor quality work and demotivation, decreasing productivity. AN • Links with staff retention, especially in a competitive labour market. If it costs a little more, perhaps in the provision of refreshments, then staff turnover will be lower, AN leading to less recruitment costs. L2 AN • Links with Sunil's objective to expand SCC, will need to retain and recruit employees with the right skills. Soft HRM approach may make this easier. AN • Especially with reference to bespoke items, the SCC designers will be an important part of SCC's USP, and Sunil cannot afford for these people and their design skills to be poached by other clothing companies, he will therefore need to pay above the market wages, potentially increasing costs AN and decreasing profit margins if prices cannot be increased. L2 AN **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Impacts of the HRM approaches will depend on the nature of employees. • A judgement as to whether Sunil's approaches are 'mainly hard' or 'mainly soft' and the long-term impact of this on the recruitment and retention of employees. • The importance of using the appropriate approaches of HRM with different employees, but how possible may this be? • How affordable may some of the soft approaches be if there is a price war in the market for mass-produced clothing? • Supported conclusion as to whether the mix of approaches is likely to help SCC succeed in the long term, for instance in terms of profit, growth, sustainability. • Other factors that may be as or more important to SCC's success, such as finance for the proposed new factory. Accept all valid responses.	

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Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/31**

Paper 3 Business Decision-Making **October/November 2024**

INSERT **1 hour 45 minutes**

4062749847-I

INFORMATION

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

alpha

DC (JP/CGW) 336951/3
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2

TopoChoc Enterprises (TC)

TC is a private limited company that has manufactured premium quality chocolates in country R for 15 years. The directors know the business faces significant competitive pressures over the next two years. They plan to improve TC's efficiency and competitiveness by considering:

- a new product range
- improving the effectiveness of human resource management (HRM)
- improving liquidity
- increasing international sales
- introducing total quality management (TQM).

TC has grown organically. The directors have never set SMART business objectives.

Marketing a new product range

TC sells its chocolates in boxes of 4 to 24 individual pieces. TC prices are high and reflect the top quality ingredients, hand decorating and luxurious packaging. The boxes are sold to retailers and online outlets that match this top quality image. Alice, Marketing Director, thinks TC could use its knowledge to produce lower cost chocolate bars. The bars would be sold to supermarkets to sell as their own-brand value products. Alice's calculations show that profit margins would be satisfactory and she will develop a marketing plan for approval by the Board of Directors.

Improving HRM effectiveness

Tembo, Human Resources Manager, wants to improve the effectiveness of HRM. He wants to invest in artificial intelligence (AI) such as new employee selection methods and virtual reality employee induction. He researched the initial costs of AI software and training his HR staff to use it. Tembo believes TC has the finance required for this investment. However, he is aware that implementation of AI does not guarantee a return on the investment.

Improving liquidity

The directors want to improve the liquidity of TC. The current interest rate in country R is high. At the last board meeting the directors considered the information in Table 1.1.

Table 1.1 Extracts from TC's financial statements

Year ending September 2024	$m
Revenue from cash sales	1
Revenue from credit sales	5
Cost of sales	3
Administrative and other overhead expenses	2
Profit for the year	1
Dividends paid	0.75

As at September 2024	$m
Non-current assets	2
Inventory	1
Trade receivables	1.4
Cash	0.6
Trade payables	3
Non-current liabilities	0.5

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3

Expansion in country M

The directors wish to increase sales to country M. They are considering three options which were proposed by an industry consultant:

A. A new marketing strategy at a cost of $0.7m. The expected monetary value (EMV) for this option is $0.9m.
B. Build a factory in country M. This would incur construction, marketing and other set-up costs of $5.5m.
C. Continue with the existing marketing methods. The EMV for this option is $0.84m.

Fig. 1.1 shows the decision tree data prepared by the consultant. She recommends TC should choose option B.

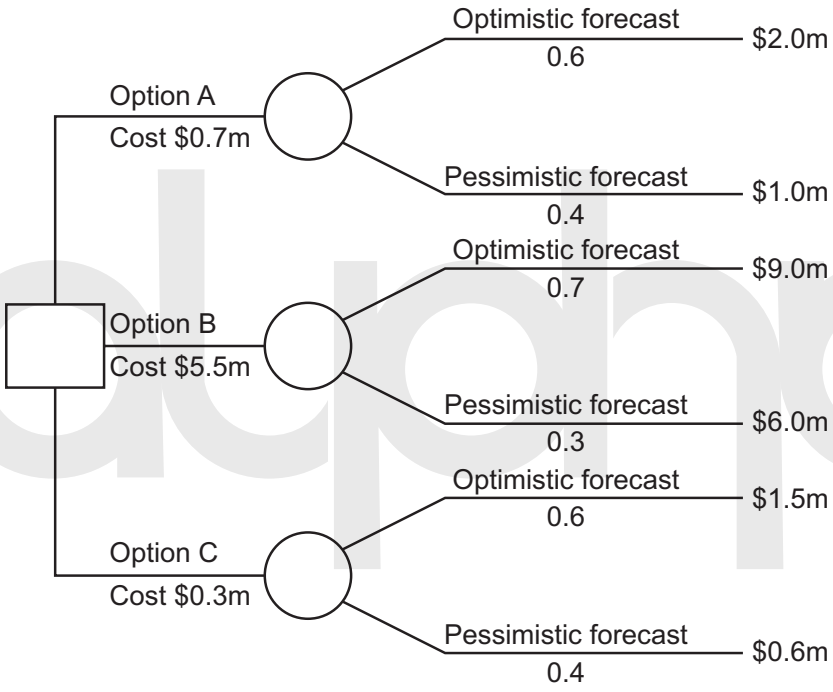


Fig. 1.1 Decision tree data for expansion in country M

Implementing TQM

TC uses batch production on three assembly lines. The raw materials are cocoa, sugar, vegetable oils, nuts, fruits and flowers, sourced from wholesale importers. Production employees are paid using a time-based system. They are given recipes that must be followed exactly. The chocolates are decorated by hand in order to achieve the high-quality premium products customers require. A quality controller checks each batch of raw materials, and another quality controller inspects the finished batches before they are packaged. A significant number of chocolates do not meet the required standards and are wasted.

The directors are considering implementing TQM. Their aim is to reduce costs while maintaining TC's high-quality image.

The directors are aware that TQM could have an impact on suppliers, employees, training and the culture of TC.

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Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME	
CENTRE NUMBER	
CANDIDATE NUMBER	

4062749847

BUSINESS **9609/31**

Paper 3 Business Decision-Making **October/November 2024**

1 hour 45 minutes

You must answer on the question paper.

You will need: Insert (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use an HB pencil for any diagrams, graphs or rough working.

INFORMATION

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

This document has **12** pages. Any blank pages are indicated.

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2

Answer all questions

1 Analyse **two** benefits to TC of marketing planning for the new range of chocolate bars.

..... [8]

2 Analyse **two** benefits to TC of investing in artificial intelligence (AI) for human resource management (HRM).

..... [8]

3 **(a)** Refer to Table 1.1. Calculate the acid test ratio.

..... [2]

(b) Refer to Table 1.1. Calculate the trade receivables turnover (days).

..... [2]

(c) Evaluate methods TC could use to improve liquidity.

..... [12]

4 **(a)** Refer to Fig. 1.1. Calculate the expected monetary value (EMV) for the new factory in country M (option B).

..... [4]

(b) Evaluate whether TC should build the new factory in country M (option B).

..... [12]

5 Evaluate the extent to which implementing total quality management (TQM) might reduce costs for TC.

..... [12]

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CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/31**

Paper 3 Case Study **October/November 2024**

MARK SCHEME

Maximum Mark: 100

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 October/November 2024 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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[Turn over

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 descriptions 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.

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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.

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PUBLISHED

Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Guidance on using levels-based marking

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The examiner should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:

- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range.
- If the candidate's work **just** meets the level statement, award the lowest mark.
- L1, L2 etc. must be clearly annotated on the response at the point where the level is achieved.

Assessment objectives

AO1 Knowledge and understanding
Demonstrate knowledge and understanding of business concepts, terms and theories.

AO2 Application
Apply knowledge and understanding of business concepts, terms and theories to problems and issues in a variety of familiar and unfamiliar business situations and contexts.

AO3 Analysis
Analyse business problems, issues and situations by:
- using appropriate methods and techniques to make sense of qualitative and quantitative business information
- searching for causes, impact and consequences
- distinguishing between factual evidence and opinion or value judgement
- drawing valid inferences and making valid generalisations.

AO4 Evaluation
Evaluate evidence in order to make reasoned judgements, present substantiated conclusions and, where appropriate, make recommendations for action and implementation.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>
Analyse <u>two</u> benefits to TC of marketing planning for the new range of chocolate bars.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
All annotation (K APP AN L2) should be in the left margin.

Note:
• Only reward benefits.
• If more than two benefits are referred to, reward the best two.
• Benefits must apply to TC.
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
1	**Indicative content** Responses may include: **AO1 Knowledge and understanding** • Definition or explanation of marketing plan and its components: objectives, resources, research, marketing mix. (max K1) Possible benefits include: • Ensuring marketing activities are aimed at achieving corporate objectives. • The setting of achievable goals. • Making efficient use of resources. • Market research to ensure that there is a market for the product. • Achieving a coordinated marketing mix. • Marketing is rational and integrated with other functions. **AO2 Application** *Maximum one APP for application for the first benefit and maximum one APP for application for the second benefit.* • TC currently manufactures and distributes high value premium boxed chocolates. • Significant competitive pressures over the next two years. • New chocolate bars are cheaper to produce and target market is supermarkets to sell as their own brand products. • New range is part of integrated approach to improve efficiency.	

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Question	Answer	Marks
1	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • TC is considering several changes, and a marketing plan would help ensure that marketing is coordinated with other changes so that TC's reputation is maintained AN. • Market research will help TC understand the needs of supermarkets so that the price of the chocolate bar is competitive AN resulting in higher sales to supermarkets L2 AN. • Setting achievable goals will make it more likely that the launch is a success AN. • A plan can identify the most efficient ways of achieving objectives hence minimising waste AN and therefore increasing profit L2 AN. • The plan contains monitoring and evaluation so TC will be better prepared for market environment changes AN Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>
Analyse <u>two</u> benefits to TC of investing in artificial intelligence (AI) for human resource management (HRM).
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
All annotation (K APP AN L2) should be in the left margin.

Note:
• Only reward benefits.
• If more than two benefits are referred to, reward the best two.
• Benefits must apply to TC.
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
2	**Indicative content** Responses may include: **AO1 Knowledge and understanding** • Definition or explanation of AI: ability of a computer or robot to perform tasks normally associated with human intelligence. (max K1) Benefits may include: • IT enables large data storing and analytical capacity and AI takes decisions about handling data and information. • Can automate repetitive business processes. • Analysis of large datasets for specific reasons such as recruitment. • Reduce HRM costs. **AO2 Application** *Max one* APP *for application for the first benefit and max one* APP *for application for the second benefit.* • Jobs at TC involve the manufacture and distribution of high value premium boxed chocolates. • Finance is available for HR development such as new employee screening and selection. • Tembo has researched the initial costs and training costs. • HR Manager has identified specific functions that AI would improve – employee selection and induction.	

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Question	Answer	Marks
2	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • AI can identify, contact and interview candidates for jobs so saving money and time AN. • Candidate screening is faster and more specific to criteria so selection of best candidates is improved AN. This supports the premium branding of TC L2 AN. • Chatbots can answer questions from employees about TC's procedures and policies so saving staff wages AN. • AI can carry out annual reviews quickly and in a standardised way so saving staff time AN • Feedback on tasks, such as employee induction training, can be in real time (immediate) so enhances quality assurance AN and thus reduces employees errors and wastage L2 AN. • Training needs can be easily and quickly identified and communicated, saving costs and improving quality AN. • HR managers can see HR problems in real time and solve them more quickly AN. Accept all valid responses.	

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Question	Answer	Marks
3(a)	**Refer to Table 1.1. Calculate the acid test ratio.** Responses may include: Formula/definition: ATR = Current assets – inventory/Current liabilities OR ATR = Liquid assets/current liabilities (1 mark for formula if no correct calculation) Current assets – inventory = trade receivables + cash = 1.4 + 0.6 = 2 OR 2/3 OR 0.67 (1 mark) = 0.67:1 OR 2:3 (2 marks)	**2**
3(b)	**Refer to Table 1.1. Calculate the trade receivables turnover (days)** **Indicative content** Responses may include: Trade receivables/credit sales × 365 days (1 mark for formula if no correct calculation) OR 1.4/5 × 365 (1) = 102.2 days OR 103 days OR 102.2 OR 103 (2) Allow 102 (2)	**2**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>Evaluate methods TC could use to improve liquidity.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table></td><td>12</td></tr>
</table>

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Question	Answer	Marks
3(c)	All annotation (K APP AN L2 EVAL L2 EVAL L3 EVAL) should be in the left margin. **Indicative content** Responses may include: **AO1 Knowledge and understanding** • Definition of liquidity: Liquidity is the ability to convert assets into cash quickly and efficiently. It can also refer to the availability of cash to pay bills and other short-term obligations. • Measurement of liquidity by ratios including the current ratio and acid test ratio. High gearing can also impact liquidity. • Link to cash flow – faster cash flow may equate to greater liquidity. • Methods of improving liquidity: Decrease overhead costs. Sell unused or unproductive assets Monitor accounts and obtain prompter payments from customers. Negotiate longer payment terms with suppliers. Monitor and reduce dividends payment to owners. Monitor cash to maximise cash held in interest-bearing accounts. Increase borrowing e.g. bank loan **AO2 Application** *Limited application,* APP *applies knowledge to TC once.* *Developed application,* APP + APP *applies knowledge to TC twice* • TC manufacture premium quality boxed chocolates, so assets include stocks of cocoa and other ingredients • High prices are charged for the luxury chocolate. • Cash flow is a possible problem, as many sales are on credit. • Rate of interest in Country R is high. • Reference to contents of Table 1 and impact on liquidity e.g. 83% of sales are on credit Dividends paid of $750 000 will reduce liquidity Reducing inventory of $1m will improve liquidity • Calculation of current ratio = 3/3 = 1:1	

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Question	Answer	Marks
3(c)	• Calculation of efficiency ratios: Trade Receivables turnover = 1.4/5 × 365 = 103 days Inventory turnover = 3/1 = 3 times (or 122 days) **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Decrease overhead costs may result in reduced cash outflows on administration and services AN • Assets such as unused land that don't generate revenue to be sold to generate cash AN and therefore increase liquid assets and therefore improving liquidity L2 AN. • Monitor accounts and obtain prompter payments from customers to speed-up cash inflows and increase liquid assets AN. • Negotiate longer payment terms with suppliers to enable more money retained in the business for longer AN. • Monitor and reduce dividends to owners to enable more money retained in business AN. • Monitor current account and move money into savings account as far as is practicable to gain interest therefore increasing liquid assets AN. • Increase cash sales to increase cash inflows and improve ATR AN • Reduce sales on credit to retailers so that cash is received more quickly AN increasing cash holdings and therefore improving liquidity. L2 AN • Inventory turnover is low and could be improved by using JIT, this would delay having to pay for raw materials such as cocoa AN enabling TC to hold on to more cash and improve liquidity L2 AN. **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Recommendation and/or assessment of appropriate methods, based on analysis of the relative merits of different approaches. • Need for more information on any unused non-current assets and overhead costs	

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Question	Answer	Marks
3(c)	• Changing accounts receivable or payable might be difficult as retailers will expect trade credit and suppliers will not want to be paid late. Much will depend on buyer and supplier power in the market. • Need information of cost of any actions undertaken such as changing to JIT. **Exemplar evaluation and levels** L1 Limited evaluation In conclusion, if TC can cut down on inventory of ingredients and finished chocolates, this will be the best way to improve TC's ATR and liquidity. Comment: Although some context, this is a limited evaluative comment, so L1 L2 Developed evaluation Improving liquidity may best be achieved by asking customers to pay more promptly to increase cash inflows or delaying payment to suppliers to decrease cash outflows and therefore increasing cash held in the business. However, this may lead to loss of customers and worsen relationships with suppliers. Comment: EVAL is sufficiently developed, but could apply to any business as there is no context, so limit to L2. L3 Developed evaluation in context. In conclusion, as most of TC's sales of high quality chocolates are made on credit to 'luxury' retailers, improving liquidity may best be achieved by asking retailers to pay more promptly or delaying payment to cocoa and other ingredient suppliers. However, this may lead to loss of retail business customers and worsen relationships with ingredient suppliers, such as cocoa processors. Accept all valid responses.	

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Question	Answer	Marks
4(a)	Using **Refer to Fig 1.1. Calculate the expected monetary value (EMV) for the new factory in country M (option B)** EMV is value in money terms of a possible outcome, taking account of forecast returns and their probability. (1 mark if no correct calculation) New factory: Optimistic forecast \$9.0m × 0.7 = \$6.3m Accept 6.3 OR Pessimistic forecast \$6m × 0.3 = \$1.8m (1mark) Accept 1.8 Combined estimates = \$8.1m (2marks) Accept 8.1 EMV = \$8.1m – \$5.5m (3marks) Accept 8.1 – 5.5 = \$2.6m (4marks) For final answer if no \$ or millions then 3 marks e.g. 2.6 (3marks) OFR	**4**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

Evaluate whether TC should build the new factory in country M (option B).

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
4(b)	All annotation (K APP AN L2 EVAL L2 EVAL L3 EVAL) should be in the left margin. **Indicative content** Responses may include: **AO1 Knowledge and understanding** • Understanding of decision trees – method of investment appraisal that takes into account uncertainty when comparing alternative investment opportunities. • Knowledge of factors in the decision: TC's objectives Finance available and cost Profit Investment appraisal techniques including payback, ARR and NPV Risk Impact on employees Reputation of TC Market in country M • Knowledge of strategies for international marketing. • Knowledge of marketing strategy and marketing mix. • Understanding of other approaches to develop strategy. **AO2 Application** *Limited application,* APP *applies knowledge to TC once.* *Developed application,* APP + APP *applies knowledge to TC twice* • TC manufactures quality boxed chocolates. • Comparison of information in Fig. 1.1 for the three options. EMV highest for option B (2.6m v 0.9m v 0.84m) Option B has higher probability of optimistic forecast (0.7 v 0.6) Optimistic outcome for option B is profit of $3.5m Pessimistic outcome for option B is $0.5m Significantly higher cost of option B • Current rate of interest in country R is high	

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Question	Answer	Marks
4(b)	• Directors are concerned about TC's liquidity • Financial constraints imposed by other plans such as AI, new product range and introduction of TQM in existing factory. • Data is from an industry consultant. • Three possibilities for international expansion with EMVs for new marketing strategy and continue existing strategy • Directors wish to increase sales to country M as part of international expansion. **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* **Analysis of points for and against the new factory and or other options.** • The new factory is predicted to generate a higher EMV than the other two options and is therefore the favoured option based on DTA AN • The new factory will increase capacity and therefore enable TC to increase sales internationally AN potentially increasing profit L2 AN • The new factory is the most expensive option and is nearly 8 times more expensive than option A. As interest rates are high this could be very costly if TC has to borrow the finance AN and therefore there is greater risk to TC if sales are lower than anticipated L2 AN. • A new factory is a new venture requiring trained employees, a location site and planning permissions and will therefore take longer to generate profits AN **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Recommendations based on analysis. Quantitatively, based on Fig 1.1 it is clear that building a new factory is a wise choice, assuming the data is accurate. • Identification of most important point or weighting of factors • Factors decision depends on: This also assumes that it will be possible to obtain employees, a site, permissions and supply of materials. These other factors need to be carefully researched to before a decision is made. Can TC find $5.5m to finance the venture?	

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Question	Answer	Marks
4(b)	• Research using other approaches such as PEST to developing strategy could be recommended. • Possibly opt for a new marketing strategy before building a factory. • Data is from a consultant. How does TC know the data is accurate, reliable and realistic? Does this apply to the figures for the non-factory options? • How do the options fit with TC's corporate strategy and aims? Time scale? Assessment of basing decision on the DT analysis Advantages of decision tree analysis • Clearly sets out options in a quantitative way. • Takes account of level of risk and probability of outcomes. • Research needs to be detailed and thorough. • 'What if' analysis enables investigation of factors and assumptions opt clarify a decision. Disadvantages • Quantitative nature may disguise poor research. • Data and assumptions may not be realistic. • Other factors may be important and not taken account of – e.g. inflation, competitor's actions, government policy. • EMVs are averages and may never actually occur. **Exemplar evaluation** L1 Limited evaluation In conclusion, option B is the best as it has the highest EMV and is recommended by the industry consultant. Comment: Limited evaluation, although some context present. It will be best for TC to choose the option that has the highest probability of success and the highest EMV outcome. However, all probabilities and estimated outcomes are predictions, so much depends on the accuracy of these. Comment: Limited evaluation which attempts to balance argument but neither comment has been developed. L2 Developed evaluation	

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Question	Answer	Marks
4(b)	It will be best for TC to choose the option that has the highest EMV outcome as this results in the highest average profit which is a key goal of business. However, all probabilities and estimated outcomes are predictions, so much depends on the accuracy of these. Markets are dynamic and external changes may impact the actual outcomes. Comment: No context here (even though TC is mentioned) this is developed, but could apply to any business so L2. L3 Developed evaluation in context. Although option B has the highest EMV at $2.6m and estimated probability of success of 0.7, all figures and probabilities are estimates, therefore other factors should be taken into account. The rate of interest in country R is high and if finance needs to be borrowed this will be costly and may worsen the liquidity situation, which goes against TC aim to improve liquidity in the short term. There is also the need for market research in Country M, as there is no evidence in the case that TC has researched this market. Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>
Evaluate the extent to which implementing total quality management (TQM) might reduce costs for TC.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
</td><td>12</td></tr>
</table>

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Question	Answer	Marks
5	All annotation (K APP AN L2 EVAL L2 EVAL L3 EVAL) should be in the left margin. **AO1 Knowledge and understanding** • Definition of TQM – an approach to quality that aims to involve all employees in quality improvement • Understanding of implications of TQM such as Continuous improvement. Kaizen groups. Training of employees. Giving employees responsibility for quality Quality assurance – checking for quality at every stage. Internal customers. Removes need for quality control inspectors. TQM involves culture change to more employee involvement. • How TQM may reduce costs – links with inventory control, quality, employee roles, capacity management, waste reduction, and efficiency. **AO2 Application** *Limited application,* APP *applies knowledge to TC once.* *Developed application,* APP + APP *applies knowledge to TC twice* • TC manufactures premium quality boxed chocolates using materials of cocoa, sugar, nuts vegetable oils, nuts and fruits. • Hand finishing, inspection regime – inspector of materials and another for finished product. • Employees follow precise recipes and production processes. • Significant discards of below-standard chocolates. • TC already has good reputation for quality chocolate products. • Two quality controllers, one who checks raw materials and one who checks final products will lose their job roles. **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Advantages of TQM By focusing on quality at all stages of production, TQM will reduce wastage of materials and finished products AN, therefore decreasing costs for TC L2 AN.	

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Question	Answer	Marks
5	Through Kaizen groups, employees will be empowered to suggest changes to improve production and quality, therefore employees may be more motivated resulting in lower labour turnover AN and therefore reducing costs of recruitment L2 AN. As part of TQM, JIT inventory management will reduce the quantity of inventory being held AN and therefore should reduce storage costs L2 AN. • Disadvantages of TQM TQM requires employee training and therefore there will be an increase in training costs to TC AN and the increased cash outflows may result in liquidity issues L2 AN (acid test ratio already low). Culture change will incur costs and employees may leave increasing recruitment costs AN. May be less focus on quality and commitment by employees due to insufficient training AN resulting in an increase in wastage in the short term and therefore an increase in costs L2 AN. Changing to TQM will mean that the two quality controllers are made redundant or redeployed resulting in an increase in costs AN **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Assessment of extent to which TQM will reduce costs. • Weighting of arguments. • Recommend that TC build on existing good practice and introduce TQM gradually, winning employee trust. Then costs will be reduced. • TQM requires active consent of employees and managers for success and a change to workforce culture requiring management and control of change. • Could be tied in with IT/AI proposals in an integrated way to reduce costs. • Conditions for successful implementation of TQM. • Employees must be empowered to make decisions – some empowerment already in place (skilled hand finishing, making different products). • Team working must be part of the culture – needs to be implemented. • All employees must be involved – needs change. • Training required but directors are committed and willing to invest	

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Question	Answer	Marks
5	L1 Limited evaluation In conclusion, techniques such as just in time (JIT) stock control will cut down on inventory costs and TQM should lead to less wastage, which is a problem for TC at present, therefore TQM should save costs. Comment: Limited evaluation, although some context present. L2 Developed evaluation In conclusion, techniques such as JIT stock control and TQM should cut down on wastage, as inventory will only be ordered as needed and products will be checked at each stage of production. However, if relationships with suppliers are not good, stocks may run low, disappointing customers. Employees will also need to be trained and may resist change. Therefore, TQM may reduce costs in the long term, but implementation should be carried out carefully and slowly. Comment: No context here, but this is developed evaluation. However, it could apply to any business so L2. L3 Developed evaluation in context. In conclusion, techniques such as JIT stock control and TQM should cut down on Inventory, currently high at $1m and wastage, which is currently a problem, as ingredients such as cocoa will only be ordered as needed and chocolates will be checked at each stage of production. However, if relationships with suppliers are not good, stocks may run low, disappointing luxury retail customers. Employees will also need to be trained, which is costly and liquidity is already low in TC. They may also resist change. Therefore, TQM may reduce costs in the long term, but implementation should be carried out carefully and slowly. It should also be taken into account that culture change in TC will take time, as it seems to be a traditionally run production company. Comment: This conclusion is clearly developed and in context, as is the evaluative comment in the answer so L3. Accept all valid responses.	

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Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/32**

Paper 3 Business Decision-Making **October/November 2024**

INSERT **1 hour 45 minutes**

9534045174-I

INFORMATION

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

alpha

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2

Habesha Clean Cooking (HCC)

Abeba graduated with a degree in Emotional Intelligence in Leadership in 2010 and then gained experience as a Human Resources manager in a large corporation. In 2015 she founded HCC, a social enterprise, based in country E in Africa. HCC's mission statement is 'to save the environment one meal at a time'.

HCC's first product, the CookBag, was launched in 2015 and targeted low-income households in rural locations. The CookBag is made of premium recycled materials and allows food that has been heated on stoves to finish cooking without using extra energy. This reduces fuel needed for cooking. By 2024 HCC had sold 250 000 CookBags. HCC estimates this will save 125 000 tonnes of carbon dioxide a year.

Gradual expansion

In 2018, HCC partnered with a university to develop an efficient multi-fuel cooking stove that produces no smoke. Effective operations planning enabled the Wonder Stove to be launched in 2020 on schedule, with no delay to critical activities. It is manufactured in HCC's factory and expansion was financed by bank loan.

Employees matter

Abeba believes skilled employees are central to HCC's success. The 60 factory employees are organised into quality circles and given paid time to meet to consider problems. Abeba discusses HCC's plans regularly with employees. Abeba expects employees to work hard and negotiates their targets annually.

HCC audits employee performance annually. See Table 1.1.

Table 1.1 HCC performance review of employees manufacturing CookBags

	2022	2023	Notes
Output of CookBags	49 700	60 000	Target output for 2023 was 58 000
Average number of employees	7	8	Employees contracted to work 235 days per year
Labour productivity	7 100	**See Q3a**	
Days lost due to absenteeism	30	32	In 2023 the average manufacturing absenteeism rate in country E was 5%

HCC also reviews employee satisfaction regularly and in 2023:

- 80% were very satisfied with their job
- 90% felt that HCC values employees highly
- 85% considered their 5 days annual training to be beneficial

Employee comments included:

- 'Much better employer than my previous company'
- 'Pay is good and working conditions excellent'.

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3

Following the 2023 review, Abeba has decided to invest in new employee facilities including a canteen and a rest room. This will cost HCC $500 000 and cause disruption to production during building work. The Operations Manager has produced a critical path analysis (CPA) for the work and says it will be completed within six weeks. Abeba is concerned that any delay will be costly to HCC but has given permission for the work to start immediately.

New competition

There has been growing interest in the market to supply cleaner cooking stoves to rural communities that lack electricity.

CA, a multinational business, entered the market with an innovative cookstove in 2024. Its cookstove is a direct substitute for HCC's Wonder Stove. CA is a much larger business and benefits from economies of scale. Although CA is not a social enterprise it does have a good reputation for corporate social responsibility (CSR).

Satisfactory profits?

Abeba is satisfied with HCC's financial performance, as the business is profitable and sales are increasing. However, the Finance Manager is concerned with the decrease in profit in 2024. He has prepared financial data for HCC to discuss with Abeba. He wants Abeba to agree to a strategy to increase profitability to secure HCC's future. He thinks that some tough decisions will need to be taken. Table 1.2 shows selected financial data and ratios for HCC.

Table 1.2 Financial data and ratios (financial years)

	2023–24	2022–23
Revenue ($m)	10.8	10.0
Cost of sales ($m)	6.4	5.55
Expenses ($m)	3.9	3.85
Interest ($m)	0.3	0.2
Gearing ratio	70%	60%
Current ratio	1.1 : 1	1.3 : 1
Acid test	0.4 : 1	0.7 : 1
Return on capital employed (ROCE)	3.4%	3.8%

International expansion

HCC uses digital marketing and social media to increase awareness of its products. However, Abeba believes that in rural communities personal demonstrations by HCC's regional sales agents have been critical to success.

Abeba has decided to increase sales in Africa by selling the CookBag and Wonder Stove in country K. She has created an export team to plan this expansion. The objective is to enter the market before competitors in January 2025. If some of the marketing activities are done simultaneously HCC should achieve its objective. The export team is deciding which method of market entry to use.

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Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER | | | | | |

CANDIDATE NUMBER | | | | |

9534045174

BUSINESS **9609/32**

Paper 3 Business Decision-Making **October/November 2024**

1 hour 45 minutes

You must answer on the question paper.

You will need: Insert (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use an HB pencil for any diagrams, graphs or rough working.

INFORMATION

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

This document has **12** pages. Any blank pages are indicated.

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[Turn over

Answer **all** questions.

1 Analyse **two** impacts on HCC of the increase in competition in country E.

..... [8]

2 Analyse **two** factors influencing HCC's method of entry into international markets.

..... [8]

3 **(a)** Refer to Table 1.1. Calculate annual labour productivity for 2023.

..... [1]

(b) Refer to Table 1.1. Calculate the rate of absenteeism for 2023.

..... [3]

(c) Evaluate HCC's approach to human resource management (HRM).

..... [12]

4 **(a)** Refer to Table 1.2. Calculate for 2023–24, the operating profit margin.

..... [4]

(b) Evaluate methods HCC could use to increase profitability.

..... [12]

5 Evaluate the usefulness to HCC of critical path analysis (CPA) as a management tool for operations planning.

..... [12]

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CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/32**

Paper 3 Case Study **October/November 2024**

MARK SCHEME

Maximum Mark: 100

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 October/November 2024 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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[Turn over

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 descriptions 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.

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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.

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Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Guidance on using levels-based marking

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The examiner should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

- L2 and L3 must be clearly annotated on the response at the point where the level is achieved.

Assessment objectives

AO1 Knowledge and understanding
Demonstrate knowledge and understanding of business concepts, terms and theories.

AO2 Application
Apply knowledge and understanding of business concepts, terms and theories to problems and issues in a variety of familiar and unfamiliar business situations and contexts.

AO3 Analysis
Analyse business problems, issues and situations by:
- using appropriate methods and techniques to make sense of qualitative and quantitative business information
- searching for causes, impact and consequences
- distinguishing between factual evidence and opinion or value judgement
- drawing valid inferences and making valid generalisations.

AO4 Evaluation
Evaluate evidence in order to make reasoned judgements, present substantiated conclusions and, where appropriate, make recommendations for action and implementation.

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Annotations and their Use

Annotation	Use
✓	As an indication of relevant and rewardable content. Better to put these in the body of the answer.
NAQ	Used when the answer or parts of the answer are not answering the question asked.
BOD	Used when the benefit of the doubt is given in order to reward a response.
TV	Used when parts of the answer are considered to be too vague.
K	Indicates knowledge and understanding of the concepts and issues relating to the question.
APP	Indicates that there is specific application to the context of the question.
AN	Indicates where the answer has demonstrated analysis.
EVAL	Indicates where the answer has demonstrated evaluation.
REP	This indicates where content has been repeated.
SEEN	Indicates that content has been recognised but not rewarded.
L1, L2, L3	Indicates where the answer reaches the required standard.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>
Analyse <u>two</u> impacts on HCC of the increase in competition in country E.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
1	**Note:** • If more than two impacts are referred to, reward the best two. All annotation (K APP AN L2) should be in the left margin **AO1 Knowledge and understanding** • Customers will have greater choice. • Competition may reduce sales. • Competition may impact pricing decisions. • HCC may need to reduce costs. • Encourage HCC to innovate to differentiate its product. • HCC may need to increase promotion. • Reduction in profit. • Reduction in market share. • Could threaten HCC's survival. **AO2 Application** *Limited application, APP applies knowledge to HCC once.* *Developed application, APP + APP applies knowledge to HCC twice.* *Max one APP for application for the first impact and max one APP for application for the second impact.* • CA benefits from greater economies of scale – potentially lower prices than HCC. • HCC customers have low incomes. • Profit has decreased in 2023/24. • Sales are increasing. • HCC is a social enterprise – this could impact how HCC responds to competition. • HCC's expenses have increased in 2023.	

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Question	Answer	Marks
1	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Greater choice for customers may lead to reduced sales volume for HCC AN and therefore reduce revenue and profits L2 AN. • As CA has economies of scale APP, its prices can be lower which will attract customers from HCC AN as customers are on low incomes, thus reducing market share L2 AN. • Market will become more saturated slowing possible growth of HCC sales AN. • HCC may need to change policies such as looking to new markets or increasing promotion to maintain sales in the future AN. • HCC may need to reduce costs to compete and therefore be forced to reduce benefits given to employees AN resulting in higher labour turnover L2 AN. Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>
Analyse <u>two</u> factors influencing HCC's method of entry into international markets.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
2	**Note:** • This question is about the factors that influence methods of entry to international markets NOT about the marketing strategy that should/should not be used in country K • If more than two factors are referred to, reward the best two. **AO1 Knowledge and understanding** • Methods of entry include direct export, use of agents, franchising and joint ventures. Factors influencing decision • Cultural differences between country K and E • Cost of alternative methods. • Availability of finance. • Desire to maintain control over marketing. • Knowledge of the market. • Market size. • Competition in the market. • Infrastructure available. **AO2 Application** *Limited application,* APP *applies knowledge to HCC once.* *Developed application,* APP + APP *applies knowledge to HCC twice.* *Max one* APP *for application for the first problem and max one* APP *for application for the second problem.* • Current marketing depends on demonstrations of products to potential customers using regional sales agents. (using agents with knowledge of the local market might be appropriate) • Objective is to enter the market ahead of competition in January 2025. (direct export might be quickest way of entering the market) • Social mission of HCC. (direct investment as jobs will be created) • High gearing ratio. Has increased from 60% to 70%. (lower cost option of entry such as franchising or joint venture) • Low profit margin. (lower cost option favoured rather than direct investment) • Declining liquidity. (might suggest joint venture would be appropriate)	

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Question	Answer	Marks
2	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • High gearing ratio and low profitability may mean that HCC needs to consider cost of method of entering the market due to lack of finance AN. This may favour a joint venture to share costs L2 AN. • Country K may be culturally different to country E, making it more difficult for HCC to replicate its marketing mix AN It may be beneficial to use an agent with greater knowledge of the market to gain entry L2 AN. • Licensing production could reduce costs of selling products making them more competitive AN. However, this could result in a loss of control over quality and brand image of HCC L2 AN. • Producing in country K could avoid economic barriers to trade AN therefore increasing the probability of success L2 AN Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(a)</td><td>Refer to Table1.1. Calculate annual labour productivity for 2023.

Labour productivity = 60 000 / 8 = 7500 (units) (1)
Do not accept $7500
To award zero marks, there must be
One ✗</td><td>1</td></tr>
<tr><td>3(b)</td><td>Refer to Table 1.1. Calculate the rate of absenteeism for 2023.
<table>
<tr><th>Note</th><th>Answer</th><th>Marks</th></tr>
<tr><td>Correct answer
No working required, % not required</td><td>1.7021% OR 1.7%</td><td>3</td></tr>
<tr><td>Correct equation AND total number of workdays
OR
Correct equation and days absence per employee
OR
OFR based on incorrect number of total days</td><td>32 / 1880 × 100

4 / 235 × 100

32 / 235 × 100 = 13.62% OR 13.6% OR 14% (Allow 13.61%)</td><td>2</td></tr>
<tr><td>Total number of workdays
OR
Days of absence per employee
OR
Correct equation</td><td>8 × 235 = 1880

32 / 8 = 4

Rate of absenteeism = number of days of employee absence / total number of workdays × 100
OR
Rate of absenteeism = average number of days per employee absent / work days per employee × 100</td><td>1</td></tr>
<tr><td>To award zero marks, there must be
One ✗</td><td>No creditable content</td><td>0</td></tr>
</table></td><td>3</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>

Evaluate HCC's approach to human resource management (HRM).

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
3(c)	All annotation (K APP AN L2 EVAL L2 EVAL L3 EVAL) should be in the left margin. **AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of HRM or knowledge of the impact of HCC's approach to HRM.* *Developed knowledge* K + K *will be demonstrated through knowledge of HRM and knowledge of the impact of HCC's approach to HRM.* • Knowledge of hard and/or soft approaches to HRM Hard – focus on cutting costs Soft – focus on developing workers Benefits of HCC approach: • Increased motivation of workers. • Reduced labour turnover. • More satisfied workers. Disadvantages of approach: • Higher labour costs. • Slows decision making. **AO2 Application** *Limited application,* APP *applies knowledge to HCC once.* *Developed application,* APP + APP *applies knowledge to HCC twice.* • HCC takes a soft approach to management of HR Use of quality circles Negotiation of targets Investment in training (5 days per employee per year) and facilities (new canteen and rest room) Good pay Discusses plans with employees Reviews employee satisfaction regularly	

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Question	Answer	Marks
3(c)	Benefits identified from the case: • High levels of worker satisfaction • Attract workers from competitors • Increase in productivity from 7100 to 7500 Cook Bags • Low rate of absenteeism; 1.7% compared to country E average of 5% Disadvantages from the case: • Increased competition faced • Falling profitability **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • HCC's soft approach managing human resources will result in a satisfied workforce will reduce labour turnover AN and therefore costs of recruitment resulting in HCC being more competitive in the market L2 AN • Productivity has increased which could result in lower unit costs AN and more competitive pricing L2 AN • Low rate of absenteeism due to satisfied workforce will increase efficiency AN • Good pay and better working conditions result in higher costs ANand decrease competitiveness of HCC so could lose sales to CA L2 AN • May be difficult for HCC to respond to market changes because of time spent consulting employees AN therefore losing competitive advantage L2 AN **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • A judgement about HCC's approach to HRM. • Evaluation of the relative importance of different advantages/disadvantages of HCC's approach to HRM. • Elements that the evaluation/judgement might depend on – financial cost to HCC of its soft approach to HRM, impact on motivation and productivity of employees, impact on quality of HCC's products and link to customer satisfaction, ethical considerations given that HCC operates as a social enterprise, significance of profit v other objectives. • HCC faces increased competition and therefore needs to control costs to remain competitive as customers have low incomes so price will be a significant factor in customer purchasing decisions.	

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Question	Answer	Marks
3(c)	Accept all valid responses. **Exemplar evaluation and levels** L1 Limited evaluation A satisfied workforce will be more productive and in the long term this will outweigh the additional costs of the soft HR approach. OR HCC's HRM approach has benefits for employee satisfaction, but in a competitive market, the high costs of this strategy may limit its ability to keep prices low for customers. Comment: Judgement made but with limited supporting comment even though there is context. L2 Developed evaluation Overall, a soft HRM strategy is good as the staff will be more loyal to the business which means even though it is more expensive, due to cost and time of involving staff, they can reap the benefits through higher productivity and a lower absenteeism which means it is effective. Comment: EVAL is sufficiently developed, but could apply to any business as there is no context, so limit to L2. L3 Developed evaluation in context. In the short term a soft HRM approach will be more costly to the business, for example spending $500 000 on new staff facilities may prevent them from investing in new products. In the longer term, maintaining a satisfied workforce should keep absenteeism below the industry average of 5% which allows production to continue, and therefore meeting the targets set for production. Overall, as a social enterprise HCC is not primarily concerned with profit and the treatment of workers may be more important to Abeba than profit. Comment: Balanced EVAL with points firmly in the context of the case material leading to an overall supported judgement. **In awarding EVAL marks examiners should take a holistic approach to the answer considering its balance and judgement.**	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(a)</td><td>Refer to Table 1.2. Calculate for 2023–24, the operating profit margin.
<table>
<tr><th>Note</th><th>Answer</th><th>Marks</th></tr>
<tr><td>Correct answer
Working and % not required. Correct rounding must be applied</td><td>0.5 / 10.8 × 100 = 4.63% OR 4.6% OR 4.629%</td><td>4</td></tr>
<tr><td>Calculation of operating profit AND statement of equation for operating profit margin
OR
Incorrect rounding
OR
Operating profit margin for 2022–23
OR
Statement of equation for operating profit margin AND OFR for answer including an error in calculating operating profit</td><td>$0.5 m AND Operating profit margin = operating profit / revenue × 100

e.g. 4.62% OR 4.7%

0.6 / 10 × 100 = 6%

4.4 / 10.8 × 100 = 40.74% (GPM)
0.2 / 10.8 × 100 = 1.85% (NPM)</td><td>3</td></tr>
<tr><td>Calculation of operating profit</td><td>10.8 – 6.4 – 3.9 = $0.5 m
OR 10.8 – 10.3 = $0.5 m</td><td>2</td></tr>
<tr><td>Equation for calculating operating profit
OR
Equation for operating profit margin
OR
Error in calculating operating profit</td><td>Operating profit = Revenue – (cost of sales + expenses)

Operating profit margin = operating profit / revenue × 100

4.4 m (GP) OR 0.2 m (NP)</td><td>1</td></tr>
<tr><td>To award zero marks, there must be One ✗</td><td>No creditable content</td><td>0</td></tr>
</table></td><td>4</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

Evaluate methods HCC could use to increase profitability.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
4(b)	**AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of one method to increase profitability OR knowledge of profitability.* *Developed knowledge* K + K *will be demonstrated through knowledge of two or more methods to increase profitability OR knowledge of profitability and one method to increase profitability.* • Profitability measures the relationship between profit and sales, or profit and capital employed. • Need to increase revenue with a less than proportionate increase in costs. • Reducing costs without a corresponding loss of sales or reduction in price. Possible methods: • Increasing price/Adding value • Reducing cost of sales (direct costs) e.g. cheaper materials • Reducing expenses e.g. reducing indirect employees • Reduce promotion costs • Reduce long-term borrowing • Increasing sales through promotion **AO2 Application** *Limited application,* APP *applies knowledge to HCC once.* *Developed application,* APP + APP *applies knowledge to HCC twice* • ROCE has decreased by 0.4% • OPM in 2023/24 is 4.6% (reduced from 6% in 2022/23). • Revenue has increased $0.8 m but COS as increased by $0.85 m. • Premium recycled materials used for CookBag. • HR policy increasing direct labour costs – 'pay is good' • HCC is a social enterprise. • Increased competition.	

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Question	Answer	Marks
4(b)	**AO2 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • The increase in COS has caused profitability to decrease AN , this could be linked to the human resources approach indicating that HCC should take a harder HR approach to control costs L2 AN • Increasing price to customers to increase profit margin AN as HCC may have good branding and therefore sales would be largely unaffected L2 AN • Switching from premium recycled materials to reduce material costs AN to reduce COS and therefore increase gross profit margin L2 AN. • Reducing wages to reduce COS and therefore increase profit AN however this could result in higher labour turnover and lower productivity and therefore cause profits to decrease L2 AN. • Set higher productivity targets to increase output per employee and therefore reduce unit costs AN which would result in higher profit L2 AN • Expand product range to increase revenue AN by targeting new market segments L2 AN • Target a higher income market so that HCC can increase prices AN and therefore increase the profit margin L2 AN. **AO3 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • A judgement about how to increase profitability • Evaluation of the relative advantages/disadvantages of different methods of increasing profitability. • Elements that the evaluation/judgement might depend on – impact on workers, alignment with social objectives of HCC, ease and speed of implementation, impact on branding of HCC impact on customers, price elasticity of demand. • As a social enterprise HCC should consider impact of any change on customers. Higher prices may be unacceptable as key objective is to help customers cut cooking costs. • Although a reduction in material costs by using non-recycled materials will be beneficial this might be at the expense of HCC's concerns for reducing CO2 emissions. Accept all valid responses.	

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Question	Answer	Marks
4(b)	**Exemplar evaluation and levels** L1 Limited evaluation Overall, the best way of increasing profitability is by reducing costs, such as lowering wages but this could impact employee satisfaction. Comment: Judgement made but with limited supporting comment. L2 Developed evaluation The best method to increase profits would be to lower the cost of sales so that gross profit increases. HCC could find a cheaper supplier. However, HCC would need to ensure that a change in supplier does not impact quality as this could result in less sales or having to reduce price and therefore not achieving an increase in profitability. Comment: EVAL is sufficiently developed, but could apply to any business as there is no context, so limit to L2. L3 Developed evaluation in context. In the short term reducing costs through a reduction in material costs by using non-recycled materials might be the quickest way to improve profitability. However, this may be at the expense of HCC's long term aims for reducing CO2 emissions which as a social enterprise is important. Overall, HCC must decide whether increasing profit is important as a social enterprise or whether their current profit levels allow them to achieve their aims and objectives successfully without making any changes. OR Overall, I believe the best way to improve profitability is to reduce their cost of sales. These have increased by 16% in the last two years and therefore is something they should look at to minimise cost and increase profit. As competition is increasing with the entry of CA it is critical they become as efficient as possible however lowering their staffing costs might have a significant impact on employee morale and productivity. Of course, they do need to make sure that using cheaper supplies doesn't affect their social enterprise credentials and quality as this could impact their brand position. Comment: Well balanced answers using the case context to development argument.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>

Evaluate the usefulness to HCC of critical path analysis (CPA) as a management tool for operations planning.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
5	**AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of CPA or knowledge of CPA as a management tool for operations planning.* *Developed knowledge* K + K *will be demonstrated through knowledge of CPA and knowledge of CPA as a management tool for operations planning.* • Understanding of CPA – network diagram, critical path, floats, minimum duration. • Benefits of CPA: knowing minimum project time, start times for activities, progress monitoring, managing resources, reducing costs, assessing significance of delays and if necessary corrective actions. • Limitations of CPA: analysis only as good as input data, planning costs, does not ensure effective management. **AO2 Application** *Limited application,* APP *applies knowledge to HCC once.* *Developed application,* APP + APP *applies knowledge to HCC twice.* • Operations Manager produced the CPA. • Six-week minimum time. • Reduces disruption to production during improvements to employee facilities. • Use of CPA for other projects e.g. development and launch of the Wonder Stove, expansion to international market. Wonder Stove launched on schedule Target to export by January 2025 **AO2 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • CPA will help manage resources efficiently to ensure that resources are available when needed which will therefore reduce costs AN of HCC's operational changes and therefore support achievement of HCC's social objectives L2 AN. • Identifying critical tasks of investing in the new employee facilities will ensure that those tasks are completed on time and therefore reduce disruption to production minimised AN which reduce the cost to HCC of the improvements L2 AN. • Important to use CPA so that customers can be kept informed of any potential impact on orders AN. Important to avoid customer dissatisfaction as this could result in loss of sales L2 AN. • Entering international market requires careful planning to get product to market on time AN and ensure products are available for customers to purchase thus increasing sales L2 AN.	

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Question	Answer	Marks
5	**AO3 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • A judgement about the usefulness of CPA for operations planning. • Evaluation of the relative importance of different advantages/disadvantages of CPA as a tool for operations planning. • Elements that the evaluation/judgement might depend on – accuracy of the data used in CPA, need for constant monitoring of external events • CPA only as good as data – is operations manager capable of completing accurate CPA for the factory development? • Other information is also important e.g. CPA needs to be interpreted • Work progress has to match the CPA plan. • HCC would be wise to maintain constant check on progress before and after work starts. Accept all valid responses. **Exemplar evaluation and levels** L1 Limited evaluation Overall, CPA could help HCC plan projects more efficiently, but its usefulness depends on having accurate data and skilled staff to interpret it. Comment: Judgement made but with limited supporting comment. L2 Developed evaluation Overall CPA is useful, especially for large costly projects, to make sure the production remains on time and does not increase unnecessary costs with delays. Any delays or unplanned activities can increase costs and reduce profit. However, it depends on the accuracy of the CPA. If there are errors in the plan then ultimately it would still cost the business money, despite having made one. Its usefulness depends on the quality of the data used. Comment: EVAL is sufficiently developed, but could apply to any business as there is no context, so limit to L2.	

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Question	Answer	Marks
5	L3 Developed evaluation in context. Critical Path Analysis (CPA) is useful to HCC as it helps ensure that deadlines for the improvements to staff facilities are met. By highlighting the essential sequence of activities, HCC can allocate resources and reduce delays to ensure future orders of their cook bags are still fulfilled. In the long term, without CPA, HCC may fall behind their schedule and disappoint customers leading to a fall in brand image. However, it will rely on the skill of the operations manager to effectively plan the sequence of works. Comment: Well balanced conclusion in context of the case L3.	

alpha

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Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/33**

Paper 3 Business Decision-Making **October/November 2024**

INSERT **1 hour 45 minutes**

1709318824-I

INFORMATION

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

alpha

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2

Australasia Fitness Factory (AFF)

AFF was started in 2015 by two sisters, Rosa and Rachel. They inherited a large city centre building, in country M, from their grandfather. The sisters sold half of the building and used the capital to convert the remaining space into a 'fitness factory'. This had two gyms and 10 multi-purpose studios used for yoga and other fitness classes.

This first AFF fitness factory was very profitable because of increasing interest in health and wellbeing. Rosa and Rachel were able to purchase a second building located in a city on the other side of country M. This was converted to a fitness factory and is managed by their brother, Octave.

AFF successfully converted to a public limited company in 2019. Rosa, Rachel and Octave retained 55% of the shares. AFF continued to expand, partly financed by a new share issue in 2023. It now has five fitness factories in different cities in country M.

The external environment

There is continued increase in demand for all types of health and wellbeing activities in country M. The average age of people attending these activities is changing as a result of the ageing population. Government grants are being offered to businesses that relocate out of city centres. The recent increase in inflation in country M has forced the government to increase the legal minimum wage.

Coordinated marketing strategy

Annual membership of AFF is priced at $2500, which includes regular consultations with a personal trainer and unlimited gym use. Members receive 50% discount on fitness classes. Non-member customers 'pay as they go'. This means they pay each time they use the gym or attend a class. All customers, members and non-members, can easily book and pay on AFF's app.

AFF's marketing objective is to increase the number of members of its fitness factories. One way to achieve this is to use customer relationship marketing (CRM). Last year improved communication with members led to an increase in customer loyalty. In 2022, AFF increased its promotional spending from $500 000 to $600 000. This resulted in a 15% increase in annual membership. The number of non-member customers also increased.

Rosa estimates income elasticity of demand (YED) for pay as you go fitness classes is 2.5.

Human resources management (HRM)

Rosa and Rachel are aware that supporting and empowering their employees is important. Fitness instructors and personal trainers are employed on short-term contracts, according to demand. Other employees, such as cleaners, have part-time permanent contracts. All employees receive training in customer care and effective teamwork. Each fitness factory team has a senior operations manager who makes decisions about which fitness classes to offer based on local demand. Senior operations managers receive training in social skills. If AFF continues to expand, Rosa and Rachel think changes to organisational structure will be needed. The impact on employees will have to be considered carefully.

Rachel and Rosa want to take a break from management. They need to recruit a new CEO to lead AFF. They hope to recruit someone who has the enthusiasm and ability to drive the business forward and make decisions. The new CEO will receive an excellent salary and shares in AFF. Rosa said 'we need someone with a high level of emotional intelligence'.

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Quality problems

AFF is receiving an increasing number of customer complaints about problems such as fitness classes starting late because facilities are not ready, broken gym equipment, and unclean changing rooms. The current informal method of quality control is clearly not working. There have been many negative comments from customers on review websites. Rachel would like the new CEO to introduce total quality management (TQM).

Shareholder returns

Increasing shareholder returns has always been a key corporate objective for AFF. Rachel would like the new CEO to manage expansion into a neighbouring country to increase profit and dividends. Rosa believes that shareholders are unlikely to be satisfied with AFF's current financial performance.

Table 1.1 Extracts from AFF's financial statements

	2023	2022
Revenue ($m)	27	25
Operating profit ($m)	1.4	1.5
Non-current liabilities ($m)	20	20
Shareholders' equity ($m)	72	70
Total dividend paid ($m)	0.4	0.5
Dividend per share ($)	2	3
Share price (at year end) ($)	35	40
Dividend yield (%)	5.7	See Q.4a.

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Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER | | | | | |

CANDIDATE NUMBER | | | | |

1709318824

BUSINESS **9609/33**

Paper 3 Business Decision-Making **October/November 2024**

1 hour 45 minutes

You must answer on the question paper.

You will need: Insert (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use an HB pencil for any diagrams, graphs or rough working.

INFORMATION

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

This document has **12** pages. Any blank pages are indicated.

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[Turn over

Answer **all** questions.

1 Analyse **two** threats to AFF from changes in its external environment.

..... [8]

2 Analyse **two** benefits to AFF of recruiting a new CEO who has a high level of emotional intelligence.

..... [8]

3 **(a)** Refer to line 29. Calculate the forecast change in sales for pay as you go fitness classes if average incomes decrease by 6%.

..... [2]

(b) Refer to lines 24–28. Calculate the promotional elasticity of demand for annual membership of AFF.

..... [2]

(c) Evaluate which element of AFF's coordinated marketing strategy is most important.

..... [12]

4 **(a)** Refer to Table 1.1. Calculate the change in the dividend yield between 2022 and 2023.

..... [4]

(b) Evaluate whether shareholders should be satisfied with AFF's financial performance in 2023.

..... [12]

5 Evaluate whether total quality management (TQM) is the best way to solve the problem of AFF's customer complaints.

..... [12]

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CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/33**

Paper 3 Case Study **October/November 2024**

MARK SCHEME

Maximum Mark: 100

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 October/November 2024 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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[Turn over

PUBLISHED

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 descriptions 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.

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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.

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Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Guidance on using levels-based marking

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The examiner should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:

- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range.
- If the candidate's work **just** meets the level statement, award the lowest mark.
- L1, L2 etc. must be clearly annotated on the response at the point where the level is achieved.

Assessment objectives

AO1 Knowledge and understanding
Demonstrate knowledge and understanding of business concepts, terms and theories.

AO2 Application
Apply knowledge and understanding of business concepts, terms and theories to problems and issues in a variety of familiar and unfamiliar business situations and contexts.

AO3 Analysis
Analyse business problems, issues and situations by:
- using appropriate methods and techniques to make sense of qualitative and quantitative business information
- searching for causes, impact and consequences
- distinguishing between factual evidence and opinion or value judgement
- drawing valid inferences and making valid generalisations.

AO4 Evaluation
Evaluate evidence in order to make reasoned judgements, present substantiated conclusions and, where appropriate, make recommendations for action and implementation.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>

Analyse <u>two</u> threats to AFF from changes in its external environment.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

Note:
- Only reward threats.
- If more than two threats are referred to, reward the best two.

All annotation (K APP AN L2) should be in the left margin.

</td><td>8</td></tr>
</table>

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Question	Answer	Marks
1	**AO1 Knowledge and understanding** Definition of external influences (max K1) might include: • External influences are outside the control of the business and act as both a constraint and an enabler for FWB's activities. • External influences may include economic, political, legal and social factors. Knowledge of threats from external influences might include (max K2): • Increased running costs due to inflation and wage increases • Demand changes due to demographic change, such as more demand from older consumers • Demand changes due to social factors such as changing consumer trends **AO2 Application** *Limited application,* APP *applies knowledge to AFF once.* *Developed application,* APP + APP *applies knowledge to AFF twice.* *Max one* APP *for application for the first external influence/threat and max one* APP *for application for the second external influence/threat.* • Inflation: Price rises will lead to increasing costs, such as power, gym equipment and possible pressure on wages of instructors and other employees • Higher legal minimum wage will affect lowest paid, for example gym and equipment cleaners • Gym membership and fitness classes are luxury goods • Ageing population may mean traditional fitness class target market decreasing • Key objective is increasing returns to shareholders (so profitability important) **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis OR offers a two-sided analysis* • Increasing costs will lead to the need to increase membership and other prices, may lead to lower demand AN and decreases in total revenue L2 AN dependent on PED • Consumers may find (real) incomes decreasing, will concentrate on buying essentials and cutting down consumption of luxuries such as gym memberships, leading to falling demand AN and decrease in total revenue and profit L2 AN	

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Question	Answer	Marks
1	• Fitness factories have high fixed costs, falling demand may lead to decreasing demand AN and falling profits L2 AN very quickly • Ageing population may mean some changes to product, maybe more yoga or fitness classes targeted at older people, change to marketing mix may increase costs AN leading to lower profits especially in the short term L2 AN Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>
Analyse <u>two</u> benefits to AFF of recruiting a new CEO who has a high level of emotional intelligence.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
Note:
• Only reward benefits.
• If more than two benefits are referred to, reward the best two.
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
2	**AO1 Knowledge and understanding** Definition of emotional intelligence (max K1) might include: • Goleman's four EI competencies, self-awareness, social awareness, self-management and social skills • EI – the ability to recognise and understand your own feelings and those of others • References to empathy with subordinates, and similar statements that clearly show understanding Knowledge of benefits of emotional intelligence might include (max K2): • Better relationships with subordinates • Better management of own feelings, leading to consistency of approach • Good understanding of the needs of customers **AO2 Application** *Limited application,* APP *applies knowledge to AFF once.* *Developed application,* APP + APP *applies knowledge to AFF twice.* *Max one* APP *for application for the first external influence/threat and max one* APP *for application for the second external influence/threat.* • Rosa and Rachel believe in supporting and training employees, so are likely to be empathetic to their needs • Training customers in fitness and yoga essentially requires an understanding of customer's feelings and needs • Effective teamwork at each of the fitness factories will need different types of employees to understand each other, for instance the teams that set up equipment and the instructors • Help in solving quality problems at AFF **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis OR offers a two-sided analysis* • If the new CEO is self-aware and self-motivated, they will understand their own feelings and have a consistent approach to leadership, which will motivate the teams in the fitness factories, AN leading to greater productivity L2 AN • If the new CEO has good social awareness they will understand the needs of employees, perhaps for training and advancement and also customers, leading to more members of the fitness factories AN • Social skills are essential in the management of employees, for instance in terms of how changes may be communicated. Customers will also react more favourably leading to higher sales. AN	

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Question	Answer	Marks
2	• All the EI competencies can be communicated and trained from the 'top down' from the new CEO, leading to a happier workforce and greater customer satisfaction AN, leading to better member retentions and higher revenue. L2 AN • Possibly lower labour turnover, reducing recruitment and training costs. Accept all valid responses.	

Question	Answer	Marks
3(a)	**Refer to line 29. Calculate the forecast change in sales for pay as you go fitness classes if average incomes decrease by 6%.** **Indicative content** Responses may include: YED = % change in quantity demanded / % change in income **OR** 2.5 = % change in quantity demanded / –6 **OR** % change in Qd = –6 × 2.5 (1 mark) = -15% (2 marks) If incomes decrease by 6% then demand may decrease by 6 × 2.5 = 15% (2 marks) Answer of 15% without indicating it is a decrease (1 mark)	**2**

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Question	Answer	Marks
3(b)	**Refer to lines 24–28. Calculate the promotional elasticity of demand for annual membership of AFF.** Promotional elasticity of demand = % change in quantity demanded / % change in promotional spending **OR** Percentage change in promotional spending = 20% **OR** Pr ED = 15% / 20% (1 mark) = 0.75 (2 marks)	**2**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>Evaluate which element of AFF's coordinated marketing strategy is most important.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table></td><td>12</td></tr>
</table>

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Question	Answer	Marks
3(c)	**AO1 Knowledge and understanding** • Marketing strategy includes marketing objectives, budget, research and co-ordinated marketing mix. • CRM includes a focus on retaining existing customers as this is often easier and cheaper than continually attracting new ones • Market research as part of the marketing strategy, investigating changing needs and wants of customers **AO2 Application** *Limited application,* APP *applies knowledge to AFF once.* *Developed application,* APP + APP *applies knowledge to AFF twice.* *Max one* APP *for application for the first external influence/threat and max one* APP *for application for the second external influence/threat* • Each fitness factory has a group of full members who pay $2500 per year and whose participation in fitness sessions can easily be tracked and who can be easily contacted. • The 'pay as you go' customers can also be encouraged to set up accounts. • Additional information about customer requirements can be collected when they visit in person or book via the App. • The Pr Ed for annual membership customers is relatively inelastic as indicated by the response to higher promotional spending. • Marketing objective is to increase number of members of its fitness factories. • Changing customer needs, ageing population may need different fitness classes. **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis OR offers a two-sided analysis* • Keeping existing loyal customers happy by meeting their needs will guarantee regular income from this group AN and once the yearly fee is paid, they are likely to stay with the business, making revenue more predictable and planning easier. • Price will have a significant impact on AFF's ability to attract and retain members as it is a competitive market so if price is not competitive members will go elsewhere AN as substitutes are available and membership will decline L2 AN . • The product including availability of different classes is important as this can attract members and non-members who follow the latest fitness class trends AN and if the product doesn't meet changing customer expectations AFF will lose members L2 AN.	

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Question	Answer	Marks
3(c)	• It may be possible to convert pay as you go customers to full membership, using effective personalised promotion, such as free sessions with personal trainers AN. • CRM will be important but wider market research will also enable AFF to spot trends in fitness and exercise classes AN , leading to 'first mover advantage' if they are proactive in new product development L2 AN. • Although demand is promotion inelastic, promotion is important to raise awareness of AFF's changing offer of fitness classes and therefore attract new customers AN. **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Overall supported judgement as to the most important element of the marketing strategy and the factors that will influence importance – The degree of competition in the market will impact the price elasticity of demand. – The extent to which the product can be differentiated from that of competition. – How quickly the market changes – Fitness is a very dynamic market, need to be quick to introduce new products to meet changing trends. – The cost of CRM v the cost of attracting new customers. – The significance of market research to understanding consumers and the market as a basis for determining the best marketing strategy. • Data on existing customers is important, but attracting new customers, such as those who have never thought of consuming this type of service is equally important. Accept all valid responses.	

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Question	Answer	Marks
4(a)	**Refer to Table 1.1. Calculate the change in the dividend yield between 2022 and 2023.** Dividend yield = dividend per share / market price per share × 100 (1 mark) 2022 = 3/40 × 100 = 7.5% (2 marks) Change = 5.7 – 7.5 (3 marks) = –1.8 percentage points (4 marks) Accept –1.8% **OR** The dividend yield has decreased by 1.8 / 7.5 × 100 = 24% (4 marks)	**4**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

Evaluate whether shareholders should be satisfied with AFFs financial performance in 2023.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
4(b)	**Table 1.1 Financial data for AFF** (see table below) **AO1 Knowledge and understanding** • Shareholder – a person who has bought shares and owns part of AFF, whose objective is to receive a good return on their investment in the short and long term. • Dividend – a shareholder's part of the profit of AFF. • Dividend yield – dividend per share as a % of current market price of share • Financial performance ratios, such as profit margin • Other shareholder ratios	

	2023	2022
Revenue ($m)	27	25
Operating profit ($m)	1.4	1.5
Non-current liabilities ($m)	20	20
Shareholders' equity ($m)	72	70
Total dividend paid ($m)	0.4	0.5
Dividend per share ($)	2	3
Share price (at year end) ($)	35	40
Dividend yield (5)	5.7	

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Question	Answer	Marks
4(b)	**AO2 Application** *Limited application,* APP *applies knowledge to AFF once.* *Developed application,* APP + APP *applies knowledge to AFF twice.* *Max one* APP *for application for the first external influence/threat and max one* APP *for application for the second external influence/threat* • Reference to answer to (a) fall in dividend yield of 1.8% as well as fall in share price of $5 • Increase in revenue $2m but decrease in profit $0.1m • Gearing steady around 22% (21.7% in 2023) • Profit margin has decreased from 6% to 5.2% • External environment and its impact on financial performance: – Increase in inflation – Increase in minimum wage – Ageing population **AO2 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis OR offers a two-sided analysis* • Sales are increasing which may suggest future growth AN, and this could result in higher profits and dividends thus pleasing shareholders • Shareholders may have expected a decrease in profits due to inflation in the economy increasing AFF's costs AN so may be satisfied with current levels of profitability L2 AN • Gearing is low and steady at 22%, there is potential for the company to borrow in order to grow AN , so this may be encouraging in the longer term and shareholders may be prepared to wait for higher returns L2 AN. • The falling share price and dividend yield may be a reason for shareholders to look unfavourably on this investment and sell their shares AN	

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Question	Answer	Marks
4(b)	**AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Attitude of shareholders will depend on whether they are investing for short or long term • Impact of share price fall may depend on how much shareholders paid at the start • Financial performance judgement needs more evidence, such as more previous years and also comparison with similar businesses • Will financial objectives change with new CEO? • What other objectives may be important to shareholders that could make them less sensitive to small changes in financial performance? • Overall supported judgement Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>Evaluate whether total quality management (TQM) is the best way to solve the problem of AFF's customer complaints.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table></td><td>12</td></tr>
</table>

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Question	Answer	Marks
5	**Note:** This is not about the benefits to AFF of reducing quality problems. It is about whether TQM achieves this outcome effectively and in a better way than other approaches such as paying employees more or using permanent contracts or using hard HRM. **AO1 Knowledge and understanding** • TQM – an approach to quality that involves all members of the organisation taking responsibility for the quality in their part of the production process • The concept of the next person in the production process being treated as an 'internal customer', whose needs must be satisfied • TQM needs culture change in organisations in order to be successful. • Alternatives to TQM: – Changing contracts. – Incentives for improved services. – Disciplinary action for employees not meeting expectations. **AO2 Application** *Limited application,* APP *applies knowledge to AFF once.* *Developed application,* APP + APP *applies knowledge to AFF twice.* *Max one* APP *for application for the first external influence/threat and max one* APP *for application for the second external influence/threat* • Quality problems include unclean facilities, classes starting late and broken equipment, causing customer dissatisfaction. • Currently quality checking is on an informal basis, due to the nature of the different classes and activities. • Employees such as fitness instructors are employed on short-term contracts so probably only arrive for their classes. **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis OR offers a two-sided analysis* Advantages of TQM: • Through Kaizen groups employees will be empowered to suggest changes to improve service and quality, therefore employees may be more motivated resulting in lower labour turnover AN and therefore improving relationships with customers leading to a reduction in customer complaints L2 AN.	

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Question	Answer	Marks
5	• Employees will receive further training when TQM is introduced and therefore they will be better able to complete work to the required standard AN which will reduce the number of complaints L2 AN. • Giving greater responsibility to instructors and cleaners will improve motivation AN and this result in working to a higher standard thus solving problems around cleanliness and classes starting on time L2 AN. Disadvantages of TQM • TQM requires employee training and therefore there will be an increase in training costs to TC AN and the increased cash outflows may result in liquidity issues L2 AN (acid test ratio already low). • Culture change will incur costs and employees may leave increasing recruitment costs AN. **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* Judgement as to whether TQM is the best way to solve customer complaint problems. • TQM may work if all types of employees, from cleaners to fitness instructors to managers take responsibility for the quality of their work, which will lead to fewer customer complaints. • TQM may work if all employees are trained in the concepts and treat other employees at the next stage of the operations process as internal customers who they need to satisfy by meeting quality standards • If TQM is successfully introduced, this should lead to less customer complaints and bad reviews • TQM may be difficult to introduce due to the employees on short-term contracts having less commitment to AFF, they could be the 'weak link', leading to less impact on complaints. • Some problems may have other causes, such as classes starting late may be due to transport problems out of the control of AFF. • Is AFF ready for the culture change that will be required for successful introduction of TQM? • Is there the budget and the interest in training and involving all employees in this way? • The new CEO will need the ability to manage the necessary changes and sell these to employees. • Supported judgement as to whether TQM is most suitable approach. Accept all valid responses.	

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Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/32**

Paper 3 Business Decision-Making **February/March 2025**

INSERT **1 hour 45 minutes**

0473099557-I

INFORMATION

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

alpha

DC (PQ/JG) 344639/2
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[Turn over

2

Iyipada (IPA)

IPA is a private limited company in country N, a low-income country in Africa. Adesola Kalu set up IPA in 2019. It has a mission to provide technology access to millions of people through recommerce – the selling of previously owned or used products. IPA buys used smartphones, refurbishes them in its factory and then resells them. This provides consumers and businesses cheaper access to technologically advanced smartphones.

A fragmented but growing market

The market for refurbished smartphones in country N is growing rapidly. Most refurbished smartphones are sold during major festival periods. It is a competitive market in which no business has more than a 1% market share. In 2024 12 million refurbished smartphones were sold in country N and this is expected to rise to 14.2 million in 2025. IPA sold 104 000 refurbished smartphones in 2024, an increase of 24 000 from 2023. The average consumer of new smartphones upgrades to the latest model every 15 months. This short upgrade cycle has contributed to the growth of the refurbished market.

Marketing

The refurbished smartphone market is characterised by inconsistent pricing, stolen devices and untrusted offline retailers. IPA sells refurbished smartphones online through its website and offline through local retailers.

IPA aims to provide convenience, cost-effectiveness and quality assurance to its customers. IPA targets both start-up businesses and households. Promotion has focused on advertising on digital platforms. Prices are competitive. Generous credit terms are given when selling to business start-ups.

Adesola has set an objective to increase sales volume by 60% by the end of 2026. Research by the Marketing Director found that:

- potential customers are price sensitive
- promotional elasticity of demand is 0.7
- limited internet connectivity is a problem for businesses and households in rural communities.

The Marketing Director has proposed changes to the current marketing mix including:

- decrease prices by an average of 5%
- increase non-digital advertising expenditure with a campaign focused on advertising through billboards and buses.

Employment contracts

IPA has 55 employees of whom 40 are production employees who check and refurbish smartphones. The remaining employees include production supervisors, administrators, sales staff and technicians. Adesola is the Managing Director and there are also directors of finance, marketing, human resources and operations. Production employees are skilled and employed on full-time contracts. IPA invests in training of production employees and pay is competitive. However, at the last board meeting the Finance Director proposed that contracts for most production employees should be changed to zero hours contracts. The Human Resources (HR) Director is now considering the implications of this.

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3

Expanding operations *40*

Each smartphone is refurbished and quality-tested, with a 25-point quality check, by IPA's skilled employees. IPA sells the refurbished smartphones with a 6-month guarantee.

As sales increase, IPA has to recruit and train new production employees. With low unemployment in country N, this is not easy. IPA's factory is close to full capacity. Consequently, Adesola plans to upgrade machinery and extend the factory to meet expected future demand. Using network *45* analysis, the Operations Director estimates the factory expansion and machinery upgrade will take a minimum of 24 weeks. Activities include:

- fit roof to new factory extension
- removal of old machinery (Activity D)
- ordering and delivery of machinery from Europe (Activity E) *50*
- upgrading the electricity supply (Activity F)
- installation of new machinery (Activity G)
- testing of machinery.

A partial network diagram is shown in Fig. 1.1 (all activities linked to nodes 5 & 6 are shown).

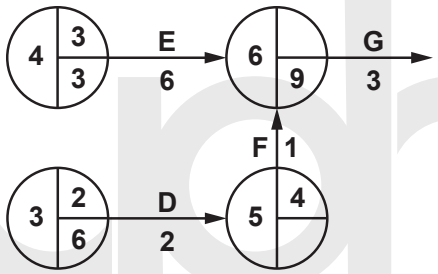


Fig. 1.1: A partial network diagram for factory expansion (time in weeks) *55*

Financial position

IPA is profitable but margins are low on each refurbished smartphone. IPA pays sellers of smartphones immediately when the smartphone is received at its factory. The Finance Director is worried about IPA's liquidity and gearing, particularly as Adesola has committed IPA to rapid expansion plans. Selected financial data and ratios are shown in Table 1.1. *60*

Table 1.1: Financial Data and Ratios

	2024	2023
Revenue ($m)	11.96	8.8
Operating profit ($m)	0.46	0.35
Gearing	60%	55%
Current ratio	0.93 : 1	0.96 : 1
Acid test ratio	0.30 : 1	0.35 : 1
Trade receivables turnover (days)	34	20

65

4

Fiscal and monetary policy changes

In 2024, economic growth in country N slowed and unemployment began to rise. In response the government is implementing a policy to upgrade infrastructure in country N. This includes providing tax incentives for internet service providers to improve mobile phone connectivity in rural areas. *70*

Further policy measures include a cut in the standard rate of income tax by two percentage points from April 2025. The central bank has also cut interest rates. *75*

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Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER | | | | | |

CANDIDATE NUMBER | | | | |

0473099557

BUSINESS **9609/32**

Paper 3 Business Decision-Making **February/March 2025**

1 hour 45 minutes

You must answer on the question paper.

You will need: Insert (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use an HB pencil for any diagrams, graphs or rough working.

INFORMATION

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

This document has **12** pages. Any blank pages are indicated.

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Answer **all** questions.

1 Analyse **one** advantage and **one** disadvantage to IPA of changing employment contracts from full-time to zero hours for most production employees.

..... [8]

2 Analyse **two** methods to improve IPA's liquidity.

..... [8]

3 **(a)** Refer to lines 9–11. Calculate, for 2024, IPA's market share.

..... [2]

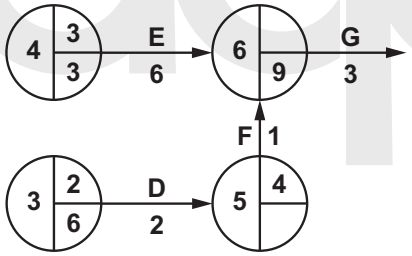
(b) Refer to lines 9–10. Calculate, for 2025, the expected percentage market growth.

..... [2]

(c) Evaluate the Marketing Director's proposed changes to IPA's marketing mix.

..... [12]

4 **(a)** Complete nodes 5 and 6 on the network diagram below (reproduced from the Insert).



[2]

(b) Calculate the total float for Activity F.

..... [2]

(c) Evaluate the benefit to IPA of Critical Path Analysis (CPA) as a management tool in planning operations.

..... [12]

5 Refer to lines 70–75. Evaluate the most likely impact on IPA of the fiscal and monetary policy changes.

..... [12]

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CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/32**

Paper 3 Business Decision-Making **February/March 2025**

MARK SCHEME

Maximum Mark: 60

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 February/March 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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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 descriptions 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.

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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.

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Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
✓	As an indication of relevant and rewardable content.
NAQ	Used when the answer or parts of the answer are not answering the question asked.
BOD	Used when the benefit of the doubt is given in order to reward a response.
TV	Used when parts of the answer are considered to be too vague.
K	Indicates knowledge and understanding of the concepts and issues relating to the question.
APP	Indicates that there is specific application to the context of the question.
AN	Indicates where the answer has demonstrated analysis.
EVAL	Indicates where the answer has demonstrated evaluation.
REP	This indicates where content has been repeated.
SEEN	Indicates that content has been recognised but not rewarded.
L1, L2, L3	Indicates where the answer reaches the required standard for Level 1 / Level 2 / Level 3.

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Guidance on using levels-based marking

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The examiner should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:
- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range.
- If the candidate's work **just** meets the level statement, award the lowest mark.
- L1, L2 etc. must be clearly annotated on the response at the point where the level is achieved.

Assessment objectives

AO1 Knowledge and understanding
Demonstrate knowledge and understanding of business concepts, terms and theories.

AO2 Application
Apply knowledge and understanding of business concepts, terms and theories to problems and issues in a variety of familiar and unfamiliar business situations and contexts.

AO3 Analysis
Analyse business problems, issues and situations by:
- using appropriate methods and techniques to make sense of qualitative and quantitative business information
- searching for causes, impact and consequences
- distinguishing between factual evidence and opinion or value judgement
- drawing valid inferences and making valid generalisations.

AO4 Evaluation
Evaluate evidence in order to make reasoned judgements, present substantiated conclusions and, where appropriate, make recommendations for action and implementation.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>

Analyse <u>one</u> advantage and <u>one</u> disadvantage to IPA of changing employment contracts from full-time to zero hours for most production employees.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

Note:
- Only reward one advantage and one disadvantage
- If more than one advantage or one disadvantage is offered reward the best one.
- All annotation (K APP AN L2) should be in the left margin.

</td><td>8</td></tr>
</table>

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Question	Answer	Marks
1	**Indicative content** **AO1 Knowledge and understanding** Definition of relevant terms (max K 1 mark) • Contract of employment sets out the terms and conditions between the employee and employer. • Full-time contract of employment – guaranteed full-time hours of work for the employees. • Zero hours contract of employment – no guaranteed hours for the employee. Knowledge of advantages and disadvantages of zero hours contract to IPA • Advantages: – Reduced labour costs. – Greater flexibility in production. • Disadvantages: – Negative impact on motivation of employee. – Increase in labour turnover. – Increase in recruitment and training costs. **AO2 Application** *Limited application,* APP *applies knowledge to IPA once.* *Developed application,* APP APP *applies knowledge to IPA twice.* *Max one* APP *for application for the first element and max one* APP *for application for the second element.* Application is making use of relevant case information not just repeating it. • Recruitment of skilled production workers has been difficult. • Training given to employees. • Seasonal demand for smartphones. • Low margins on sales. • Some employees will remain on full-time contracts (link to possible conflict between employees and productivity) • Impact on quality of refurbished phones **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.*	

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Question	Answer	Marks
1	Chains of reasoning highlighting likely advantages / disadvantages of zero-hour contracts: Advantages • Reduced labour costs in off-peak times will enable IPA to reduce prices for its smartphones AN and therefore result in an increase in sales and profi L2 AN • A reduction in labour costs reduces the direct costs of IPA and therefore increases gross pr AN Disadvantages • Zero hours contracts may reduce employee motivation therefore reducing labour productivity AN and increasing costs of production resulting in a reduction in profit L2 AN • Employees may resist the change to zero hours contracts resulting in an increase in labour turnover AN and therefore an increase in recruitment and training cost L2 AN • Inconsistent quality of refurbished phones due to the everchanging workfor AN Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>
Analyse <u>two</u> methods to improve IPA's liquidity.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
Note:
• If more than two methods are referred to, reward the best two.
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
2	**Indicative content** **AO1 Knowledge and understanding** Definition of liquidity max K (1 mark) • Liquidity relates to the ability of a business to meet its short-term debts. • It is measured by the acid test and current ratio. Methods to improve the liquidity of IPA (max K 2 marks) • Introduce JIT inventory control. • Reduce credit given to business customers. • Reduce trade receivables turnover (days). • Delay payment when purchasing smartphones. • Overdraft • Debt factoring **AO2 Application** *Limited application,* APP *applies knowledge to IPA once.* *Developed application,* APP - APP *applies knowledge to IPA twice.* *Max one* APP *for application for the first method and max one* APP *for application for the second method.* Application is making use of relevant case information not just repeating it. Use of relevant data from Table 1.1 • Decrease in current ratio to 0.93:1 • Decrease in acid test ratio to 0.3:1 • Difference between CR and ATR suggests that liquidity problem is a result of inventory holding. • Increase in the trade receivables turnover (days) to 34. • Credit provided to business customers. • Immediate payment for smartphone inventory purchased by IPA. • Seasonal nature of demand	

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Question	Answer	Marks
2	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • A reduction in credit provided to business customers will bring forward payment for smartphone sales and therefore the timing of cash inflows AN which will increase cash held by IPA improving liquidity L2 AN • Delaying payment for purchases of smartphones will enable IPA to delay cash outflows AN . This will increase cash held by IPA and therefore improve liquidity L2 AN • Holding less stock of smartphones will reduce cash tied up in inventory delaying cash outflow AN and therefore improve the acid test ratio L2 AN . Accept all valid responses.	

Question	Answer	Marks
3(a)	**Refer to lines 9–11. Calculate, for 2024, IPA's market share.** Market share = Sales / Market sales X 100 (1 mark if no rewardable calculation) 0.104 / 12 X 100 (1) = 0.87% (2) (% required) To award zero marks, there must be one ✗	**2**

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Question	Answer	Marks
3(b)	**Refer to lines 9–10. Calculate, for 2025, the expected percentage market growth.** Market growth = (Expected sales 2025 – sales 2024) / sales 2024 X 100 Change in sales = 14.2m – 12m = 2.2m (1) Market growth = 2.2m / 12m X 100 = 18.3% OR 18% (2) (% required) Note: (14.2 – 12) / 14.2 X 100 = 15.49% (1) To award zero marks, there must be one ✗	**2**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>

Evaluate the Marketing Director's proposed changes to IPA's marketing mix.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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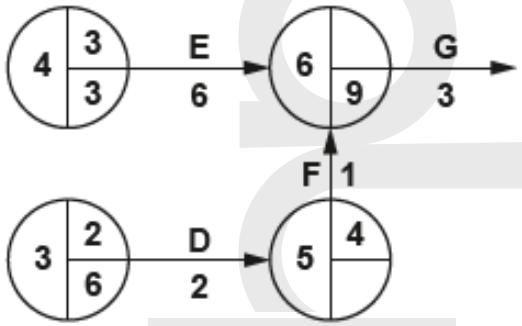
Question	Answer	Marks
3(c)	**Indicative content:** **AO1 Knowledge and understanding** *Limited knowledge* K Definition of marketing strategy or understanding of impact of a recommended change. *Developed knowledge* K + K Understanding of marketing strategy and understanding of impact of recommended change(s). • Marketing mix includes the 4 Ps and is part of the marketing strategy. Understanding of impact of recommended changes: • Reducing price makes smartphones more affordable. • Increasing promotion spending should increase awareness of IPA's product. **AO2 Application** *Limited application,* APP *applies knowledge to IPA once.* *Developed application,* APP - APP *applies knowledge to IPA twice.* Recommended change is linked to relevant case material. • Marketing objective is to increase sales volume by 60% in 18 months. • Demand is thought to be price elastic i.e. responsive to price reductions. • PrEd = 0.7. Demand is not expected to be responsive to an increase in promotional spending. • Margins are low on smartphone sales. • Prices were competitive and reduction will undercut competitors. • There are many competitors in the market – no business has more than one percent of the market. • IPA sells B2B and B2C. (likely to have different price elasticities) • Move toward out of home advertising rather than digital advertising and the problem of internet access in rural areas. **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis or balance of argument.* • A reduction in price will make IPA smartphones relatively cheaper than competitors therefore increasing demar AN and if demand is price sensitive that will increase revenu L2 AN	

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Question	Answer	Marks
3(c)	• Rural communities have limited internet connectivity therefore advertising on digital platforms will not reach potential customers AN so a change to out of house advertising will increase awareness of IPA's products resulting in an increase in demand. L2 AN • An increase in non-digital promotion spending should increase awareness leading to an increase in sales AN . This will result in higher revenue and therefore profit may also increase L2 AN • A reduction in price will make IPA smartphones relatively cheaper than competitors therefore increasing demar AN . This could lead to higher profit L2 AN **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in contex* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Supported judgement as to whether change(s) will achieve the marketing objective. • Factors that impact might depend on: – Response of competitors to price change. As no competitor has more than 1% market share it is unlikely that individual competitors will be significantly impacted by price reduction, so will they react by reducing price? – Low promotional elasticity of demand does not mean that promotional spending is necessarily ineffective. Impact depends on cost of additional promotion relative to increase in sales which result. – Market is growing rapidly anyway so sales likely to increase without changing marketing. – Connectivity in rural areas to mobile networks will impact usefulness of smartphones to customers and therefore demand. – Will IPA have sufficient capacity to meet an increase in demand of 60% within 18 months? • An increase in non-digital promotion spending should increase awareness leading to an increase in sales AN . This will result in higher revenue and therefore profit may also increase. L2 AN However, as PrED is inelastic the impact may be relatively limited. EVAL • A reduction in price will make IPA smartphones relatively cheaper than competitors therefore increasing demar AN and therefore higher profit. However, as profit margins are very low this may reduce total pro EVAL Accept all valid responses.	

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Question	Answer	Marks
4(a)	**Complete nodes 5 and 6 on the network diagram below (reproduced from the Insert).**  EST of G = 9 (1 mark) LFT of D = 8 (1 mark) To award zero marks, there must be one ✗	2
4(b)	**Calculate the total float for Activity F.** Total float = LFT (of F) – Duration (of F) – EST (of F) OR Total Float = LST – EST (1 mark if no rewardable calculation) Total float = 9 – 1 – 4 (1) OR 8 – 4 (1) = 4 (weeks) (2) Incorrect units e.g. 4 days (1) To award zero marks, there must be one ✗	2

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(c)</td><td>

Evaluate the benefit to IPA of Critical Path Analysis (CPA) as a management tool in planning operations.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
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<tr><td>2</td><td>2 marks
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Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
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Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
4(c)	**Indicative content:** **AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of CPA.* *Developed knowledge* K + K *will be demonstrated through knowledge of CPA and a benefit.* • Understanding of CPA – network diagram, critical path, floats, minimum duration • Benefits of CPA: knowing minimum project time, start times for activities, progress monitoring, assessing significance of delays and if necessary, corrective actions. • Limitations of CPA: analysis only as good as input data, planning costs, does not ensure effective management. **AO2 Application** *Limited application,* APP *applies knowledge to IPA once.* *Developed application,* APP - APP *applies knowledge to IPA twice.* • Operations Director produced the CPA. • 24-week minimum time. • Disruption to production during works. • Delivery of machinery is from Europe. • Expansion involves building work – where is data on timings from? • Use of data in Fig 1 and answers to 4(a) and 4(b) – Total float of activity F – Free float of activity F – Activity E and G are critical activities **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • CPA is a quantitative technique and more exact than estimation. Planning will help save resources and ensure that disruption is minimised reducing IPA's expansion AN . • CPA will enable IPA to get back to full production as soon as possible and therefore manage cash flow more effectively AN • Important to use CPA so that customers can be kept informed of any potential impact on orders. This will help avoid customer dissatisfaction AN which could result in loss of sales L2 AN .	

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Question	Answer	Marks
4(c)	**AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in contex* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Justified conclusion on importance e.g. CPA very important for enabling continuous supply. – Monitoring the most critical activities such as the machinery from Europe as this could be delayed due to external factors. • CPA only as good as data – is the Operations Director capable of completing accurate CPA for the factory development? • Other information is also important e.g. CPA needs to be interpreted • Work progress must match the CPA plan. • IPA would be wise to maintain constant check on progress before and after work starts. Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>

Refer to lines 70–75. Evaluate the most likely impact on IPA of the fiscal and monetary policy changes.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
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Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
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No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
5	**Indicative content:** **AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of fiscal/monetary policy or knowledge of how changes to fiscal/monetary policy impact IPA.* *Developed knowledge* K + K *will be demonstrated through knowledge of fiscal/monetary policy and knowledge of how changes to fiscal/monetary policy impact IPA.* • Fiscal policy is the management of aggregate demand through changes in taxation and government spending. • Monetary policy involves changes in the money supply, interest rates and the exchange rate. Impact of generic fiscal and/or monetary policy changes on IPA • Increase or decrease in demand for products. • Impact on tax paid by IPA affecting retained profits. • Impact on costs of labour. • Impact on borrowing costs. **AO2 Application** *Limited application,* APP *applies knowledge to IPA once.* *Developed application,* APP - APP *applies knowledge to IPA twice.* Links changes to case material • Telecommunications infrastructure affects the usefulness of mobile phones to households/business. • Marketing objective of increasing sales volume by 60%. • Limited internet connectivity as a barrier to sales in rural areas. • Ambitious expansion plans of IPA. • IPA sales of mobile phones in 2024 of 104 000 units. • Increasing sales of refurbished smartphones to 14.2m in 2025. • Reduction in interest rates linked to financing costs of factory expansion. • Reduction in interest rates linked to high gearing and borrowing costs.	

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Question	Answer	Marks
5	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis or balanced argument.* • A decrease in income tax will increase disposable income of households. This will increase the demand for smartphones. AN. Therefore, helping IPA to achieve its marketing objective L2 AN • Improved mobile signal coverage will make smartphones more useful in rural areas. Therefore, there may be an increase in demand for refurbished smartphone AN This may increase IPA's profitability L2 AN • A reduction in income tax may reduce wage demands of workers. Therefore, this will limit cost increases faced by IPA. AN This will help increase profits. L2 AN • Expansionary fiscal policy will boost aggregate demand and therefore increase demand for smartphone AN • The cut in interest rates will increase the discretionary income of some consume AN leading to an increase in demand for IPA's refurbished phone L2 AN • The cut in interest rates will reduce the cost of borrowing therefore decreasing interest payment on any borrowing that IPA needs for the factory extensio AN making the project more profitab L2 AN . **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in contex* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Supported judgement as to overall impact of fiscal/monetary policy changes on IPA. • Supported judgement as to which change is most significant to IPA. • Factors that impact might depend on: – In the short run infrastructure projects may have limited or no impact on IPA sales as building mobile network infrastructure will take time. – Impact of cut in income tax will depend on the income elasticity of demand for refurbished smartphones. – Impact of income tax cuts will depend on the confidence of business and households about the future growth of the economy. If households lack confidence, they will choose to save rather than spend any increase in income. Accept all valid responses.	

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Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/31**

Paper 3 Business Decision-Making **May/June 2025**

INSERT **1 hour 45 minutes**

6693211598-I

INFORMATION

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

alpha

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2

Wisdom Shoes (WS)

WS is a public limited company. WS manufactures leather shoes for adults. It sells to major shoe retailers and to small independent shoe shops. WS products are targeted at three constantly changing markets: fashion, leisure and work. Its sales employees are reporting that small independent shoe shops have experienced an increasing demand for non-leather and recyclable shoes. There is a growing consumer awareness that resources used in production need to be sustainable. Jon, the Marketing Director, is very keen for WS to carry out an environmental audit.

Enterprise resource planning (ERP)

WS uses different IT systems for managing production, marketing and human resources. Keri, the Operations Director, thinks that the processes needed to produce and market shoes could be more integrated. Greater integration could help to improve the efficiency of WS. Keri has begun to research ERP as a means of achieving this integration. She knows that ERP is very expensive and takes time to implement but she is convinced that it could offer WS substantial efficiency benefits.

Employee performance

WS uses batch production to produce different styles of shoes. The production employees at WS are:

- paid wages which are 10% more than the industry average
- increasingly complaining to their managers about production targets
- expected to train on-the-job
- expected to follow strict instructions
- given only limited opportunities for career progression.

Milo, the Human Resources Director, and Keri are concerned that the performance of production employees is declining. Table 1.1 gives data about production and production employees.

Table 1.1: Data about production and production employees

	2024	2025 (January – May)
Average monthly output (000s units)	120	90
Average monthly number of units failing to meet quality standards (000s units)	14	15
Average number of production employees	480	480
Number of production employees who left WS	56	72
Number of work accidents in production	26	35

Marketing

WS sells its shoes into three markets: fashion, leisure and work. Each market has its own characteristics. WS shoes are medium to high price in each market. Research shows that consumers consider WS shoes are good quality for the prices charged.

Jon is preparing a marketing plan with the objective of increasing annual sales by 5% without entering any new markets. Table 1.2 shows time series analysis sales data Jon is using. Jon considers that time series analysis will help him make decisions to achieve WS's marketing objective. Table 1.3 gives additional information about the markets WS sells to.

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3

Table 1.2: WS time series analysis sales data ($m)

	Revenue	Trend (four period centred moving average)	Seasonal variation	Average seasonal variation
2021 Quarter 3	20.0			
4	20.1			
2022 Quarter 1	18.2	19.54	–1.34	–1.66
2	19.2	19.81	–0.61	–0.44
3	21.3	19.91	1.39	1.60
4	21.0	19.98	1.02	**See Q4(a)(i)**
2023 Quarter 1	18.1	20.14	–2.04	–1.66
2	19.8	20.20	–0.40	–0.44
3	22.0	20.29	1.71	1.60
4	20.8	20.48	0.32	**See Q4(a)(i)**
2024 Quarter 1	19.0	20.61	–1.61	–1.66
2	20.4	20.70	–0.30	–0.44
3	22.5	20.79	1.71	1.60
4	21.0			
2025 Quarter 1	19.5			

Table 1.3: Information about the markets WS sells to

Market	Percentage of WS revenue	WS level of research and development (R&D)	Forecast market growth	Strength of competition
Fashion	20	High	Medium	High
Leisure	48	Low	High	High
Work	32	Low	Low	Medium

Investor return

In recent years, the directors of WS have made long-term investment a priority rather than short-term increases in dividends.

The main shareholders in WS take an active interest in the business. At the next company Annual General Meeting (AGM) these shareholders intend to ask the directors to explain their method to increase investor returns. These shareholders will be looking for an effective method to achieve an increase in their return. Table 1.4 shows changes in key investment indicators and ratios.

Table 1.4: Change between May 2023 and May 2025

Operating profit	+10%
Earnings per share	+5%
Dividend per share	0%
Share price	+7%
Price/earnings ratio	+0.5

80

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Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

6693211598

BUSINESS **9609/31**

Paper 3 Business Decision-Making **May/June 2025**

1 hour 45 minutes

You must answer on the question paper.

You will need: Insert (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use an HB pencil for any diagrams, graphs or rough working.

INFORMATION

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

This document has **12** pages. Any blank pages are indicated.

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[Turn over

Answer **all** questions.

1 Analyse **two** advantages to WS of using an environmental audit.

..... [8]

2 Analyse **two** ways that enterprise resource planning (ERP) could improve the efficiency of WS.

..... [8]

3 **(a)** Using the data in Table 1.1, calculate the average monthly labour productivity for January to May 2025.

..... [2]

(b) Using the data in Table 1.1, calculate the percentage of output that failed to meet quality standards for January to May 2025.

..... [2]

(c) Evaluate the best approach for WS to improve the performance of its production employees.

..... [12]

4 **(a)** **(i)** Using the data in Table 1.2, calculate the average seasonal variation for Quarter 4.

..... [2]

(ii) Jon has calculated the trend for 2025 Quarter 4 as $21.41 million.

Using your answer to **(a)(i)**, calculate forecast sales for 2025 Quarter 4. .

..... [2]

(b) Evaluate whether time series analysis is sufficient to allow WS to make decisions to achieve its marketing objective.

..... [12]

5 Evaluate the most effective method WS could use to improve investor return.

..... [12]

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CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/31**

Paper 3 Business Decision-making **May/June 2025**

MARK SCHEME

Maximum Mark: 60

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 May/June 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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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 descriptions 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.

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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.

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Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	For objective points that are correct.
	For objective points that are wrong.
TV	When the candidate has attempted something, but the mark/skill has not been awarded as the answer is not sufficiently clear.
Highlighter	To highlight a point or section of an answer that justifies the mark/annotation.
BOD	When the candidate has attempted something, and the mark/skill has been awarded.
SEEN	To show a page/section has been seen/read.
REP	The repetition of a previous point in a response **or** the candidate is copying the case study/data.
OFR	The own figure rule applies – acts as a mark/tick.
K	When AO1 has been awarded. The number of Ks should match the mark awarded.

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Annotation	Meaning
APP	When AO2 has been awarded. The number of APPs should match the mark awarded.
AN	When AO3 at Level 1 has been awarded.
L2 AN	When AO3 at Level 2 has been awarded.
EVAL	When AO4 at Level 1 has been awarded.
L2 EVAL	When AO4 at Level 2 has been awarded.
L2	When AO3 or AO4 has been awarded at Level 2.
L3	When AO4 has been awarded at Level 3.

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Guidance on using levels-based marking

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The examiner should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:

- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range.
- If the candidate's work **just** meets the level statement, award the lowest mark.
- L1, L2 etc. must be clearly annotated on the response at the point where the level is achieved.

Assessment objectives

AO1 Knowledge and understanding
Demonstrate knowledge and understanding of business concepts, terms and theories.

AO2 Application
Apply knowledge and understanding of business concepts, terms and theories to problems and issues in a variety of familiar and unfamiliar business situations and contexts.

AO3 Analysis
Analyse business problems, issues and situations by:
- using appropriate methods and techniques to make sense of qualitative and quantitative business information
- searching for causes, impact and consequences
- distinguishing between factual evidence and opinion or value judgement
- drawing valid inferences and making valid generalisations.

AO4 Evaluation
Evaluate evidence in order to make reasoned judgements, present substantiated conclusions and, where appropriate, make recommendations for action and implementation.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>
Analyse <u>two</u> advantages to WS of using an environmental audit.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
Note
• Only reward advantages.
• If more than two advantages are referred to, reward the best two.
• L2AN (3 marks) is possible for just one point made.
• All annotation (K APP AN L2) should be in the left margin.
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
1	**AO1 Knowledge and understanding** Definition of relevant terms (max K 1 mark) • Environmental audit: measuring the environmental impact of a business and how sustainable its activities are. • Knowledge of CSR. • Possible advantages include: • Improves governance and decision making. • Highlights direction for improvements. • Enables smart target setting. • Enables stakeholder expectations to be met. • Improves transparency. **AO2 Application** *Limited application,* APP *applies knowledge to WS once.* *Developed application,* APP + APP *applies knowledge to WS twice.* *Max one* APP *for application of the first benefit and max one* APP *for application of the second benefit.* Application is making use of relevant case information not just repeating it. • Constantly changing footwear markets. • Jon keen for research on changes connected to CSR. • Increasing demand for non-leather products. • Growing consumer awareness of need for sustainable supply chains. **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Improved decision making can lead to more efficiency, lower costs, higher profits, lower risks. • Highlighting routes for improvement can lead to change and improved CSR. • Smart target setting enables positive clear change and monitoring • Stakeholders' expectations being met can improve e.g. image, reputation, sales, employee motivation/commitment. • Improved transparency can attract more business as increasingly decisions are made based on ethical factors. • Enables company culture to increase social and environmental responsibility resulting in more satisfied employees and therefore lower labour turnover. Accept all valid responses	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>
Analyse <u>two</u> ways that enterprise resource planning (ERP) could improve the efficiency of WS.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
Note
• If more than two ways that ERP could improve efficiency are referred to, reward the best two.
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
2	**AO1 Knowledge and understanding** Definition of relevant terms (max K 1 mark) • ERP: software integrating information from all business functions, supply, production, marketing and HR. • Efficiency measures the ratio of inputs to outputs. Possible benefits include • Reduction of costs and waste. • Better control of inventory. • More accurate costing and pricing decisions. • Higher capacity utilisation. • Faster response to change. **AO2 Application** *Limited application,* APP *applies knowledge to WS once.* *Developed application,* APP + APP *applies knowledge to WS twice.* *Max one* APP *for application of the first benefit and max one* APP *for application of the second benefit.* Application is making use of relevant case information not just repeating it. • Current use of IT. • Keri begun research into ERP. • Batch production on assembly lines. • Shoes sold into three constantly changing markets. **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Reducing costs and waste increases profits. • Better inventory control reduces costs, aids planning and communication with suppliers and customers. • More accurate costing/pricing enables customer specific pricing and increases sales and goodwill. • Higher capacity utilisation reduces average costs and increases profitability. • Faster response to change enables better purchasing materials, production methods and higher sales. Accept all valid responses	

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Question	Answer	Marks
3(a)	**Using the data in Table 1.1, calculate the average monthly labour productivity for January to May 2025.** Average monthly labour productivity = Total output / Number of employees **OR** 90 000 / 480 (1) 187.5 (2) **OR** 188 (2)	**2**
3(b)	**Using the data in Table 1.1, calculate the percentage of output that failed to meet quality standards for January to May 2025.** Percentage failing to meet quality standards / output × 100 **OR** 15 000 / 90 000 × 100 (1) 16.67% **OR** 16.7% **OR** 17% (2) Accept 16.66% and 16.6% (2)	**2**

alpha

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>

Evaluate the best approach for WS to improve the performance of its production employees.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks

3(c)	**Indicative content**
	
	AO1 Knowledge and understanding
	Limited knowledge K *will be demonstrated through knowledge of measures of performance.*
	Developed knowledge K + K *will be demonstrated through knowledge of measures of performance and knowledge of how to improve performance of production employees.*
	
	• Employee performance measured by productivity, absenteeism, labour turnover, accident rates, wastage/product rejection rates.
	• HRM components: motivation, management styles.
	• Reference to theories on motivation including: Taylor, Mayo, Herzberg and Maslow
	• Possible techniques to improve performance include:
	  • Providing better equipment and training.
	  • Appropriate motivation techniques for employees.
	  • Realistic informed target setting.
	  • Bonus payments for production/waste targets.
	  • Facilitating employee participation in decision making and/or working arrangements.
	
	AO2 Application
	Limited application, APP *applies knowledge to WS once.*
	Developed application, APP + APP *applies knowledge to WS twice.*
	
	• Batch production on assembly lines.
	• Information from Table 1.1 showing employee performance measures.
	  • Increase in number of units failing to meet quality standards.
	  • Increase in labour turnover.
	  • Increase in number of accidents.
	• Use of bullet points on employee performance.
	  • Wages 10% more than industry average.
	  • Complaints about production targets.
	  • On-the-job training.
	  • Limited opportunities for career progression.
	  • Strict management style.	

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Question	Answer	Marks
3(c)	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis* Chains of reasoning developing how techniques will impact performance: • Bonuses for achievement of production targets will provide a financial incentive for production employees encouraging them to be more focused on increasing output and therefore increasing productivity. • Off the job training could make employees feel more valued and increase skills therefore improving motivation and quality of work which will reduce the number of defects and lead to higher output. • Empowering workers to make more decisions about their working day will reduce the conflict caused by the current strict management style and have a positive impact on motivation therefore resulting in a reduction in labour turnover. • Possible reasons for decreased performance include: • Little training 'expected to learn on job', non-participation in decision making 'follow instructions', complaints about targets. • Limited opportunities for progression. • All measures in Table 1.1 show decreasing performance. • Pay does not seem to be a factor 'paid 10% more than industry average'. **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* Justified recommendations based on analysis include: • More and better training for employees and supervisors. • More participation in decision making. • More freedom to carry out tasks as employees decide. • More motivation techniques to be applied e.g. regular appraisals, non-financial motivators. • Clear realistic targets set, possibly with bonuses for meeting them. • Regular meetings with employees and/or their representatives. • Balanced argument on the advantages and disadvantages of a given approach. • Weighting of advantages and disadvantages of a given approach. Accept all valid responses	

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Question	Answer	Marks
4(a)(i)	**Using the data in Table 1.2, calculate the average seasonal variation for Quarter 4.** Average seasonal variation = Total seasonal variation for Quarter 4 2022–3 / 2. **OR** 1.02 + 0.32 = 1.34 (1) 1.34 / 2 = ($)0.67 (million) (2)	**2**
4(a)(ii)	**Jon has calculated the trend for 2025 Quarter 4 as $21.41 million.** **Using your answer to (a)(i), calculate forecast sales for 2025 Quarter 4.** Forecast revenue = forecast trend plus average seasonal variation for that quarter **OR** 21.41 + 0.67 (1) 21.41 + 0.67 = ($)22.08 (million) (2) **OFR based on 4(a)(i)**	**2**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

Evaluate whether time series analysis is sufficient to allow WS to make decisions to achieve its marketing objective.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
4(b)	**Indicative content** **AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of time series analysis OR knowledge of other factors* *Developed knowledge* K + K *will be demonstrated through knowledge of time series analysis and knowledge of how it contributes to decision making or knowledge of other factors influencing decision making* L1 all skills if no clear K of what TSA is. Understanding of Time Series Analysis including its advantages (quantitative, based on actual data, factors in seasonality) and disadvantages (circumstances may change making prediction inaccurate, false sense of accuracy, relies on accurate data) • Knowledge of qualitative sales forecasting. • Knowledge of marketing planning and its elements: objectives, resources, research, marketing mix. • Role of market research and market analysis in setting marketing objectives and making decisions **AO2 Application** *Limited application,* APP *applies knowledge to WS once.* *Developed application,* APP + APP *applies knowledge to WS twice.* • WS three markets: fashion, leisure, work. • Use of information in Table 1.3. • WS products high price, value for money. • Jon's objective is to increase annual sales by 5% p.a. • WS sells to major retailers and independents. • Increasing demand for non-leather/sustainable shoes. • Jon recommended preparing an environmental audit.	

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Question	Answer	Marks
4(b)	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis* • Sales forecasting enables minimum cost distribution. • Sales forecasting enables objective to be set and planned for. • Sales forecasting may ignore changes e.g. new product lines, new marketing mix and therefore be inaccurate. • Objective of increasing sales requires account to be taken of costs, not just sales. • Changing nature of markets requires accurate forecasting (qualitative and quantitative) for sales targets to be met. • TSA data in Table 1.2 is for all products. Table 1.3 indicates there are differences in each product/market making the data inaccurate for each. • Table 1.3 gives important information which marketing planning can use **AO4 Evaluation** • Considered judgement based on argument. • Sales forecasting important but other elements need to be considered for objectives to be met e.g. production capacity, appropriate quality of product, appropriate marketing mix. • Objective of increasing sales is imprecise. • Accuracy of forecasting relies on accurate methods and data generated. • Objective is confused – 'increase sale without entering new markets' but Jon wants research into non-leather products. Are these a 'new market'? or not? This needs clarifying before setting a marketing plan. • Any new products will significantly alter sales forecasts, and in a constantly changing market forecasts on their own may not be accurate. • Information on % sales revenue from different products, forecast market growth and strength of competition must be taken into account when forecasting sales, not just rely on TSA. • Forecasting sales must apply to the three different markets, not just overall sales. Accept all valid responses	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>

Evaluate the most effective method WS could use to improve investor return.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
5	**Indicative content** **AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of investor return.* *Developed knowledge* K + K *will be demonstrated through knowledge of investor return and knowledge of how to improve investor return.* • Identification of investors with shareholders • Understanding of investor return measures: dividend cover (Profit for year/annual dividend), earnings (net profit), dividend per share, dividend yield (dividend per share/market share price), P/E ratio • Knowledge that shares may be held for long term or short-term reasons. • Directors decide on dividends. • Methods to increase investor return: - Increase revenue relative to costs - Decrease costs **AO2 Application** *Limited application,* APP *applies knowledge to WS once.* *Developed application,* APP + APP *applies knowledge to WS twice.* • Nature of CP's products: medium to high price, value for money leather footwear. • Shareholders take an active interest. • Recognition of changes in investment indicators in last three years (Table 1.4). • Operating profit has risen • EPS has risen • Share price has increased • P/E ratio has increased • Shareholders intend to use the AGM to seek methods to increase their returns. • Possible changes cited in case: environmental audit, ERP research, marketing plan, increased employee performance.	

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Question	Answer	Marks
5	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis* • WS has plans for investing in ERP which would increase efficiency resulting in a reduction in unit costs and therefore an increase in profit margins. With increased operating profit there would be more profits available for distribution to shareholders as dividends. Effect of possible changes cited in the case: • Strategies to increase profit including investing in ERP, marketing and improving the performance of employees will make WS more attractive to investors resulting in an increase in the share price and therefore a potential capital gain for shareholders. • P/E ratio has risen indicating that shareholders are receiving less value for their shares, but it could mean there is an expectation for future growth. • Possibility of producing products increasingly demanded by the market so revenue and profit increase. • Marketing plan likely to increases sales and profits. • Employee performance increases, lowering costs and raising profit. • Shareholders take an active interest so likely to engage with managers on implementation. Other measures WS might introduce to raise investor return could include: • More machinery/automation to reduce labour costs. • Price increases to raise markup. • Cutting spending where this can be done so lowering costs. • Focusing a marketing plan on highest profitable products.	

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Question	Answer	Marks
5	**AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Considered judgement based on argument • Short term v long term • Changes in profit ratio in last two years suggest that management strategies are working and indicate that returns to shareholders will continue to increase • Changes being considered/implemented may increase sales and profits and sales. Directors would need to actively use these increases to pay more dividends • Effect of these changes is to make more money available for investors BUT will the cost of implementation actually lead to increased profit? Will WS increase dividends? Will the changes increase the share price? • What timescales are the changes going to occupy? • The changes that benefit investors will also be beneficial to WS, its managers and employees, so high probability of them succeeding. Accept all valid responses	

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Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/32**

Paper 3 Business Decision-Making **May/June 2025**

INSERT **1 hour 45 minutes**

8255806774-I

INFORMATION

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

alpha

DC (DE) 351030/2
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2

Pura AI Robots (PAIR)

PAIR was set up in 2012 by Kaarina Laine, a graduate in Applied Artificial Intelligence. PAIR is a private limited company in country F. Kaarina, the Managing Director, owns 70% of the shares. Four other directors own the remaining shares.

PAIR's mission statement is 'to transform business use of robots'. PAIR designs and manufactures robots which use artificial intelligence (AI) to support business operations. PAIR's most successful robot, the KB1, is an autonomous cleaning robot. In 2024 the KB1 had the leading market share in country F. It is also a successful export for PAIR. The global market for autonomous cleaning robots is competitive with many brands available.

Growth

The first version of the KB1 was launched in 2013. PAIR's sales strategy focused on leasing to businesses to provide a cost-effective solution to cleaning the workplace. Initially sales growth was slow, led by the sales team contacting prospective customers to arrange product demonstrations and trials.

However, global economic growth after the pandemic led to labour shortages which affected the recruitment of cleaning employees. Consequently, many schools, offices and hotels approached PAIR to lease the latest version of the KB1. Revenue grew rapidly from 2021 but PAIR was unable to fully meet demand due to production constraints.

Innovative technologies

PAIR invests 7% of revenue in Research & Development (R&D) compared to the industry average of 5%. In 2023, the eighth version of the KB1 was launched providing a more innovative, powerful and quieter cleaner. This version has a longer battery life and can clean different floor types. It uses video technology to learn as it cleans.

In 2024, PAIR began development of a new AI delivery robot, Delbot, which will target the hotel market. It will deliver food, towels and other items to hotel rooms. Kaarina confirmed, in a press release, that the Delbot will be available to customers from early 2026. She commented that the whole process from concept to product launch will only take 18 months.

Organisational structure

PAIR has a flat organisational structure and is divided into functional departments. The R&D department uses a matrix structure creating one-off teams for specific projects. In 2024 PAIR employed a total of 120 employees.

Quality defects

At the end of 2023 PAIR's Operations Director reported increasing quality problems:

- the annual percentage of defective KB1s, reported by quality control inspectors, had doubled to 2%
- increased customer reports of KB1s not working properly
- increased complaints of poor customer service.

In June 2024 PAIR began the process of replacing quality control with quality assurance. This included:

- improved training of employees
- all production employees made responsible for quality
- targets for technicians to fix any faults reported by customers within 24 hours.

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3

Table 1.1 provides production and employee data for the KB1 factory. In 2024 PAIR had a labour productivity target of 2200 KB1s per employee.

Table 1.1 End of year production and employee data for the KB1 factory

	2024	2023
Production employees	50	40
KB1 output	105 000	85 000
KB1 output failing to meet quality standards	2.1%	2%
Number of production employees leaving	2	4

Kaarina is concerned whether the decision to introduce quality assurance has been beneficial for PAIR.

Increase dividends?

Kaarina plans to expand the product portfolio and enter new international markets. PAIR's growth has been financed from retained profit and long-term borrowing. Kaarina is now considering whether to change PAIR to a public limited company. Table 1.2 shows selected financial data and ratios for PAIR.

Table 1.2 Selected financial data and ratios for PAIR

	2024	2023
Revenue ($m)	95	65
Operating profit ($m)	10.4	5.85
Interest and tax ($m)	6.4	4.05
Dividends paid ($m)	0.56	0.56
Gearing	40%	35%
Current ratio	0.8:1	0.96:1

The other four shareholders are dissatisfied with PAIR's dividend payments and are pressuring Kaarina to increase dividends for 2025.

Contingency planning

In February 2025 a battery in one of the latest KB1 robots overheated causing a fire at the school where it was operating. The Operations Director investigated and found that there was a fault in the battery supplied to PAIR. Following the investigation PAIR issued a press release in April identifying the battery supplier as being responsible for the fire. The Marketing Director is concerned about PAIR's lack of contingency planning. She has finally persuaded Kaarina to call an emergency board meeting to consider the benefits of contingency planning.

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Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

8255806774

BUSINESS **9609/32**

Paper 3 Business Decision-Making **May/June 2025**

1 hour 45 minutes

You must answer on the question paper.

You will need: Insert (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use an HB pencil for any diagrams, graphs or rough working.

INFORMATION

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

This document has **12** pages. Any blank pages are indicated.

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[Turn over

Answer **all** questions.

1 Analyse **two** benefits to PAIR of contingency planning.

..... [8]

2 Analyse **two** benefits to PAIR of its organisational structure.

..... [8]

3 **(a)** Using the data in Table 1.1, calculate the labour productivity for 2024.

..... [2]

(b) Using the data in Table 1.1, calculate the labour turnover of production employees in 2024.

..... [2]

(c) Evaluate whether the decision to introduce quality assurance is likely to be beneficial for PAIR.

..... [12]

4 **(a)** Using the data in Table 1.2, calculate the dividend cover for 2024.

..... [4]

(b) Evaluate whether PAIR should increase dividends to shareholders in 2025.

..... [12]

5 Evaluate the importance of Research and Development (R&D) to PAIR's future success.

..... [12]

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CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/32**

Paper 3 Business Decision-making **May/June 2025**

MARK SCHEME

Maximum Mark: 60

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 May/June 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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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 descriptions 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.

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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.

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Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	For objective points that are correct.
	For objective points that are wrong.
TV	When the candidate has attempted something, but the mark/skill has not been awarded as the answer is not sufficiently clear.
Highlighter	To highlight a point or section of an answer that justifies the mark/annotation.
BOD	When the candidate has attempted something, and the mark/skill has been awarded.
SEEN	To show a page/section has been seen/read.
REP	The repetition of a previous point in a response **or** the candidate is copying the case study/data.
OFR	The own figure rule applies – acts as a mark/tick.
K	When AO1 has been awarded. The number of Ks should match the mark awarded.

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Annotation	Meaning
APP	When AO2 has been awarded. The number of APPs should match the mark awarded.
AN	When AO3 at Level 1 has been awarded.
L2 AN	When AO3 at Level 2 has been awarded.
EVAL	When AO4 at Level 1 has been awarded.
L2 EVAL	When AO4 at Level 2 has been awarded.
L2	When AO3 or AO4 has been awarded at Level 2.
L3	When AO4 has been awarded at Level 3.

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Guidance on using levels-based marking

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The examiner should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:

- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range.
- If the candidate's work **just** meets the level statement, award the lowest mark.
- L1, L2 etc. must be clearly annotated on the response at the point where the level is achieved.

Assessment objectives

AO1 Knowledge and understanding
Demonstrate knowledge and understanding of business concepts, terms and theories.

AO2 Application
Apply knowledge and understanding of business concepts, terms and theories to problems and issues in a variety of familiar and unfamiliar business situations and contexts.

AO3 Analysis
Analyse business problems, issues and situations by:
- using appropriate methods and techniques to make sense of qualitative and quantitative business information
- searching for causes, impact and consequences
- distinguishing between factual evidence and opinion or value judgement
- drawing valid inferences and making valid generalisations.

AO4 Evaluation
Evaluate evidence in order to make reasoned judgements, present substantiated conclusions and, where appropriate, make recommendations for action and implementation.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>
Analyse <u>two</u> benefits to PAIR of contingency planning.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
1	**Note:** • If more than two benefits are identified reward the best two. • Only reward benefits. • L2AN (3 marks) is possible for just one point made. • All annotation (K APP AN L2) should be in the left margin. Responses may include: **AO1 Knowledge and understanding** Definition of relevant terms (max K 1 mark) • Contingency planning is a plan for preparing an organisation's resources for unlikely events. • Knowledge of benefits to PAIR of contingency planning (max K 2 marks) • Minimises the negative impact on the business of a major disaster or event. • May reassure stakeholders that concerns for safety are a priority. • Public relations response to a disaster is more likely to be quick and effective. • Contingency planning process can help reduce the chances of disasters happening. **AO2 Application** Application is making use of relevant case information not just repeating it. *Limited application,* APP *applies knowledge to PAIR once.* *Developed application,* APP + APP *applies knowledge to PAIR twice.* *Max one* APP *for application of the first benefit and max one* APP *for application of the second benefit.* • Pandemic impact on business. (Rapid increase in sales following end of pandemic). • The battery fire – potential impact on reputation of PAIR. • Delayed response of Kaarina to the battery fire. • Inappropriate response of PAIR by just blaming the supplier. • Linking fire to quality assurance. • Disruption to global trade such as imposition of tariffs. (KB1 is a successful export for PAIR). • Contingency planning could have reduced chances of fire by including cut-off device in the robot.	8

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Question	Answer	Marks
1	**AO3 Analysis** *Limited analysis* AN *- candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *- candidate shows two or more links in the chain of analysis.* Chains of reasoning highlighting likely benefits of contingency planning • A contingency plan would have enabled a more effective response from PAIR to the battery fire thus reducing the risk of lost sales from hotels AN and therefore result in a less serious effect on profits. L2 AN • Knowledge that PAIR carries out contingency planning would reassure customers making them more likely to lease robots from PAIR AN thus increasing profits. L2 AN • The lack of a contingency plan resulted in a delayed response from PAIR to the battery fire this could harm their reputation for quality AN and result in a loss of sales. L2 AN • A contingency plan would reassure investors and make it more likely that a public flotation of shares would be successful AN therefore helping Kaarina with her future growth plans. L2 AN Accept all valid responses.	**8**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>
Analyse <u>two</u> benefits to PAIR of its organisational structure.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
2	**Note:** • If more than two benefits are identified reward the best two. • Only reward benefits. • L2AN (3 marks) is possible for just one point made. Responses may include: **AO1 Knowledge and understanding** Definition of relevant terms (max K 1 mark) • Organisational structure is the internal, formal framework of a business that shows the ways in which management is organised and linked together. • Flat organisational structure has few levels of hierarchy and wider spans of control. • Matrix structure brings expertise from different functional departments together for a project. • Functional structure splits an organisation into departments based on areas of responsibility such as marketing and operations. Knowledge of benefits of flat organisational structure and/or matrix structure (max K 2 marks) • May empower/motivate employees as delegation is more likely. (flat) • Quicker communication from top to bottom of the organisation. (flat) • More responsive to changing market conditions (matrix or flat). • Matrix: Emphasis is placed on the team rather than the place of the individual in the hierarchy. • Matrix structure utilises employee skills to contribute to the project. • Functional encourages employees to become specialists and can increase efficiency • Functional departments are led by managers who are specialists in the functional area	**8**

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Question	Answer	Marks
2	**AO2 Application** Application is making use of relevant case information not just repeating it. *Limited application,* APP *applies knowledge to PAIR once.* *Developed application,* APP + APP *applies knowledge to PAIR twice.* *Max one* APP *for application for the first method and max one* APP *for application for the second benefit.* Linking structure to contextualised benefits: • Low labour turnover of 4%. • High productivity (2125 in 2023 and 2100 in 2024). • Innovation success of KB1. • 18-month development period for Delbot. • Speed of bringing products to market eight versions of KB1 by 2023. • Growth of the business since 2012, leading market share by 2024. • R&D more likely to be successful using matrix structure. **AO3 Analysis** *Limited analysis* AN *- candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *- candidate shows two or more links in the chain of analysis or balance of argument.* • Matrix structure brings expertise from different functional areas to work together on projects resulting in a reduction in the development time of new products AN therefore this results in PAIR being more responsive to changes in the market and increases sales. L2 AN • More likely that there will be delegation to employees which will increase their motivation AN therefore this will increase productivity and increase profits. L2 AN • Increased employee motivation results in lower labour turnover AN and therefore a reduction in costs leading to an increase in profit. L2 AN Accept all valid responses	**8**

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Question	Answer	Marks
3(a)	**Using the data in Table 1.1, calculate the labour productivity for 2024.** Labour productivity = annual output / employees OR output per worker in a given time period OR output per worker hour (1 mark if no rewardable calculation) = 105 000 / 50 (1) = 2100 (units) (2) 2023 productivity = 2125 (units) (1) To award zero marks, there must be at least one ✗	**2**
3(b)	**Using the data in Table 1.1, calculate the labour turnover of production employees in 2024.** Labour turnover = Number of employees leaving the business / Average number of employees × 100 (1 mark if no rewardable calculation) 2 / 50 × 100 (1) = 4 % (2) **Note:** • Labour turnover = 4 (1) • Labour turnover in 2023 = 4 / 40 × 100 = 10 % (1) • 2 / 50 = 0.04 (0) To award zero marks, there must be one ✗	**2**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>Evaluate whether the decision to introduce quality assurance is likely to be beneficial for PAIR.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
</table></td><td>12</td></tr>
</table>

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3(c)

Level	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 2 marks	AO4 Evaluation 6 marks
1	**1 mark** **Limited knowledge** of relevant key term(s) and/or factor(s) is used to answer the question.	**1 mark** **Limited application** of relevant point(s) to the business context.	**1 mark** **Limited analysis** that identifies connections between causes, impacts and/or consequences.	**1–2 marks** **Limited evaluation** • A judgement/ conclusion is made with limited supporting comment/evidence. • An attempt is made to balance the arguments.
0	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.

12

Responses may include:

AO1 Knowledge and understanding

Limited knowledge K *will be demonstrated through knowledge of quality assurance*
Developed knowledge K + K *will be demonstrated through knowledge of quality assurance and knowledge of how it impacts PAIR*

- Quality assurance: a system of agreeing and meeting quality standards at each stage of production.
- Contrast to quality control which is checking based on inspection of the product or a sample of products.

Knowledge of benefits might include:
- Less waste.
- Problems identified during process.
- Need for final inspection reduced or removed.
- Easier to trace where faults occur.
- Employees have greater responsibility for making sure their work meets standards.
- Greater employee involvement in decision making.

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Question	Answer	Marks
3(c)	Disadvantages of (introducing) quality assurance • Cost of training for employees to fulfil responsibilities. • Initial drop in output. • Employees may demand higher wages for greater responsibility. • Increased pressure on employees. • Employees may be resistant to change. **AO2 Application** *Limited application,* APP *applies knowledge to PAIR once.* *Developed application,* APP + APP *applies knowledge to PAIR twice.* Links case material to quality assurance • PAIR sells B2B. • Effective QA might prevent disasters such as the battery fire. • Robots are leased to customers. • Competitive industry – reputation is important. • Decrease in labour turnover from 10 % in 2023 to 4 % in 2024. • Productivity has decreased from 2125 units per worker in 2023 to 2100 in 2024. • Productivity in 2024 was below the target of 2200. • Increase in the percentage of KB1 output failing to meet quality standards in 2024. • Commitment to R&D spending above the industry average. **AO3 Analysis** *Limited analysis* AN *- candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *- candidate shows two or more links in the chain of analysis or balanced argument.* • Faults with products will be identified ensuring that quality standards are met which will increase customer satisfaction AN and this will increase the number of customers who choose to extend their lease for robots resulting in an increase in revenue L2 AN • As employees are responsible for checking the robot cleaners for faults APP there will be less waste of materials which will reduce costs AN resulting in an increase in profits L2 AN • Employee checking of quality will reduce costs and therefore enable PAIR to offer more competitive prices AN resulting in an increase in sales and therefore profit L2 AN	**12**

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Question	Answer	Marks
3(c)	• Greater responsibility for quality may increase the motivation of employees which will lead to an increase in work effort and productivity AN and therefore increase output of KB1s L2 AN • Introducing QA will require training of employees leading to an increase in costs AN • Adapting to QA may reduce the productivity of employees due to resistance to change resulting in less production of KB1s AN and therefore reduce profit L2 AN **AO3 Evaluation** *Limited evaluation* EVAL *- limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *- supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *- supported judgement in context and/or reasonable evaluative comment in context.* • Supported judgement as to overall benefit of quality assurance to PAIR. – Critical to PAIR as robots are leased to customers and therefore if the robots are substandard business will end their lease resulting in a loss of sales and profits for PAIR. • Factors that the impact might depend on: – Extent to which customers value quality above price. – The cost to PAIR of substandard production – significant costs as PAIR has a target to solve customer problems within 24 hours. Therefore, PAIR must always have technical staff on hand to deal with customer problems. – The quality of the workforce in terms of skills and training and its willingness to adapt to the changes that QA requires. – Quality assurance needs to be part of an integrated approach with other functional departmental decisions.	**12**

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Question	Answer	Marks
3(c)	**Exemplar evaluation and levels** L1 Limited evaluation Quality assurance should reduce the number of defective KB1 robots in the long run, outweighing the short-run cost of training employees. Comment: Judgement made but with limited supporting comment even though there is context. L2 Developed evaluation Overall, introducing quality assurance will be beneficial to PAIR as employees will benefit from being empowered to take responsibility for quality resulting in a decrease in faulty output. This means PAIR can gain long-term benefits from an improved reputation for quality leading to greater sales of their products. This will outweigh the short term training costs of ensuring employees can take responsibility for quality. Comment: EVAL is sufficiently developed but could apply to any business as there is no context, so limit to L2. L3 Developed evaluation in context. In the short-term introducing quality assurance will be more costly to the business as employees need training there could be an initial reduction in productivity as shown by the data in 2024 compared to 2023 and an increase in faulty KB1 robots as employees adjust to the new demands of taking responsibility for quality. However, in the longer term, as quality assurance becomes embedded at PAIR there should be a reduction in faulty output of robots and less chance of the sort of failure that led to the fire at a school due to a KB1 overheating. Overall maintaining quality standards is essential to the reputation of PAIR and maintaining its market leadership so quality assurance if implemented effectively can support continued success. Comment: Balanced EVAL with points firmly in the context of the case material leading to an overall supported judgement. This would be 6 marks for evaluation. **In awarding EVAL marks examiners should take a holistic approach to the answer considering its balance and judgement.**	**12**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(a)</td><td>
Using the data in Table 1.2, calculate the dividend cover for 2024.

Indicative content:

<table>
<tr><th>Note</th><th>Answer</th><th>Marks</th></tr>
<tr><td>Correct answer: method does not need to be shown</td><td>4 / 0.56 = 7.14 OR 7.1 OR 7 (times)</td><td>4</td></tr>
<tr><td>Incorrect units OR
Correct method but incorrect or no final answer OR
Dividend cover for 2023</td><td>$7.14 OR 7.14 m OR 7.14 % OR
Dividend cover = 4 / 0.56

Dividend cover = 1.8 / 0.56 = 3.21</td><td>3</td></tr>
<tr><td>Calculation of profit for the year OR
Calculation of profit for the year AND
Relevant dividend cover formula</td><td>Profit for the year = 10.4 m – 6.4 m = $4 m OR
Profit for the year = 10.4 m – 6.4 m = $4 m AND
Dividend cover = profit for the year/dividend paid</td><td>2</td></tr>
<tr><td>Relevant correct formula
OR
Profit for the year 2023</td><td>Dividend cover = profit for the year/dividend paid OR
Profit for the year = operating profit – interest and tax
Profit for the year 2023 = 5.85 – 4.05 = $1.8</td><td>1</td></tr>
<tr><td colspan="2">No creditable work
To award zero marks, there must be at least one ✗</td><td>0</td></tr>
</table>

Note:
Own Figure Rule applies
Incorrect calculation using operating profit rather than PFY 10.4 / 0.56 = 18.57 (2)
</td><td>4</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>Evaluate whether PAIR should increase dividends to shareholders in 2025.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
</table></td><td>12</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>1</td><td>1 mark
Limited knowledge
of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application
of relevant point(s) to the business context.</td><td>1 mark
Limited analysis
that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/ conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

Responses may include:

AO1 Knowledge and understanding
Limited knowledge K *will be demonstrated through knowledge of one relevant point*
Developed knowledge K + K *will be demonstrated through knowledge of two relevant points.*
- Shareholders provide capital for the business.
- Dividends are the reward for risking investment in the business.
- Knowledge of relevant shareholder ratios including dividend cover and dividend per share.

Reasons for increasing dividends
- To attract future investors.
- Keep existing shareholders happy.

Reasons for not increasing dividends
- Lack of profits.
- Lack of working capital
- Future growth plans.

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
4(b)	**AO2 Application** *Limited application,* APP *applies knowledge to PAIR once.* *Developed application,* APP + APP *applies knowledge to PAIR twice.* • Dividend cover has increased significantly from 3.2 in 2023 to 7.1 in 2024. • Revenue and profits have increased. • Increase in OPM from 9 % to 10.95 %. • Possible flotation of PAIR on stock market. • Liquidity problems suggested by deterioration in current ratio. • Gearing has increased by 5 % points. • PAIR's commitment to R&D expenditure. • Shareholder dissatisfaction with dividends. **AO2 Analysis** *Limited analysis* AN *- candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *- candidate shows two or more links in the chain of analysis.* • PAIR may wish to raise finance for expansion by going public. It is therefore important to attract potential investors to invest AN This can be achieved by increasing dividends to make share ownership more financially attractive and increase the initial share price offer. L2 AN • The dividend cover has increased from 3.2 to 7.14 which indicates that PAIR can afford to pay more dividends to shareholders AN • The current ratio is only 0.8:1 indicating that PAIR may be unable to pay its short-term liabilities and therefore faces a potential liquidity crisis AN therefore PAIR cannot afford to pay higher dividends to shareholders as it will put further strain on its working capital. L2 AN	**12**

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Question	Answer	Marks
4(b)	**AO3 Evaluation** *Limited evaluation* EVAL *- limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *- supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *- supported judgement in context and/or reasonable evaluative comment in context.* • Justified conclusion whether PAIR should pay higher dividends. – Can't afford to due to limited working capital. – Kaarina owns 70 % of shares so she can ignore other shareholders. – Continued investment in R&D is essential to maintain PAIR's leading market share therefore need to keep retained profits high. • Supported judgement as to the most important factor in the decision. • Financial data is limited for making the decision. • Attitude and goals of Kaarina is critical to the decision as she is the major shareholder. She appears to be more interested in other goals rather than maximising her short-term returns. Accept all valid responses. **Exemplar evaluation and levels** L1 Limited evaluation Overall, the dividend payment to shareholders should be increased as shareholders are unhappy which will negatively impact the ability of PAIR to raise further capital from shareholders in the future. Comment: Judgement made but with limited supporting comment and limited context. L2 Developed evaluation PAIR should not increase dividends to shareholders as this would reduce retained profits and therefore reduce funds available for expansion. However, increasing dividends now could result in shareholders being more willing to invest in PAIR in the future. Overall, the decision depends on the financial health of PAIR and whether shareholders are likely to be the main source of finance in the future. Comment: EVAL is sufficiently developed but could apply to any business as there is no context, so limit to L2. If you took the name out of this paragraph it could apply to any business.	**12**

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Question	Answer	Marks
4(b)	L3 Developed evaluation in context PAIR should not increase dividends to shareholders as this would reduce retained profits and therefore reduce funds available for Kaarina's plans for PAIR enter new international markets. However, increasing dividends could result in shareholders being more willing to invest in PAIR in the future, especially as the dividend cover has more than doubled. This would support the possible change of PAIR to a public limited company which is being considered by Kaarina. However, overall, the decision depends on the financial health of PAIR and the decreasing current ratio in 2024 suggests that the business may not be able to afford to pay shareholders more due to insufficient working capital. Comment: Well balanced answers using the case context to develop argument. **In awarding EVAL marks examiners should take a holistic approach to the answer considering its balance and judgement.**	**12**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>
Evaluate the importance of Research and Development (R&D) to PAIR's future success.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
</table>
</td><td>12</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>1</td><td>1 mark
Limited knowledge
of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application
of relevant point(s) to the business context.</td><td>1 mark
Limited analysis
that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
Note: References to market research must relate to the R&D process.

Responses may include:

AO1 Knowledge and understanding

Limited knowledge K will be demonstrated through knowledge of R&D or its impact.
Developed knowledge K + K will be demonstrated through knowledge of R&D and its impact.

Definition of R&D
• The scientific research and technical development of new processes and products.

Benefit of R&D
• Increased sales.
• Competitive advantage.
• Greater control over prices.
</td><td>12</td></tr>
</table>

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Question	Answer	Marks
5	Limitations of R&D • Risk of failure. • Cost. • Impact on cash flow. • Time taken to develop new products. **AO2 Application** *Limited application,* APP *applies knowledge to PAIR once.* *Developed application,* APP + APP *applies knowledge to PAIR twice.* • Contribution of KB1 series to growth of PAIR. • Cost: 7% of revenue is $6.65m in 2024. • New market opportunities from Delbot in hospitality industry. • Competitive market for cleaning robots. • Linking R&D to liquidity problems indicated by current ratio. • PAIR's R&D spending is relatively more than the industry average. **AO3 Analysis** *Limited analysis* AN *- candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *- candidate shows two or more links in the chain of analysis.* • Development of new products opens up new market opportunities which may lead to an increase in sales AN and therefore increase profit L2 AN • R&D can improve products sold by PAIR thus giving the business a competitive edge AN and therefore increase sales L2 AN • R&D can improve brand image of PAIR and therefore justify an increased leasing charge to customers AN potentially resulting in higher profit L2 AN • The short run impact of R&D is to cause cash outflows which will reduce PAIR's liquidity AN requiring financing which may cause an increase in gearing and risk L2 AN	**12**

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Question	Answer	Marks
5	**AO3 Evaluation** *Limited evaluation* EVAL *- limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *- supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *- supported judgement in context and/or reasonable evaluative comment in context.* Identification and/or development of factors that the success of R & D will depend on: • Understanding of needs of customers. • Marketing of new products to customers. • Extent to which R&D results in PAIR being able to differentiate itself from competitors. • Time taken to bring new products to market due to short life cycle of technology products. • Ability of PAIR to finance the expenditure without causing liquidity problems. • Competitor actions. • Extent to which PAIR can protect its intellectual property with patents. Identification and/or development of other influences on success • The state of the economy. • Financial health of the business. Supported judgement as to importance of R&D **Exemplar evaluation and levels** L1 Limited evaluation Overall, R&D could help PAIR to develop new products and improve its competitiveness in the market, but the effectiveness depends on the quality of employees and the actions of competitors Comment: Judgement made but with limited supporting comment. L2 Developed evaluation Investment in R&D does not guarantee success. Although R&D can increase the chances of bringing new products to market which could differentiate PAIR from its competitors the success ultimately depends on whether competitors develop better products which consumers prefer. However, not investing in R&D would be a very high-risk decision in a technologically driven market.	**12**

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Question	Answer	Marks
5	Comment: EVAL is sufficiently developed for L2, but the context is too limited to justify the award of L3 marks. L3 Developed evaluation in context. Investment in R&D does not guarantee success. PAIR'S relatively high spending on R&D which is above the industry average has contributed to its market leadership in 2024. However, although R&D could increase the chances of bringing new robots to market and thus differentiate PAIR from its competitors the success ultimately depends on whether competitors develop better cleaning robots which consumers prefer. However, not investing in R&D would be a very high-risk decision in a technologically driven market such as the cleaning robot market where there is lots of competition. Comment: Well-balanced conclusion in context of case L3. **In awarding EVAL marks examiners should take a holistic approach to the answer considering its balance and judgement.**	**12**

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Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/33**

Paper 3 Business Decision-Making **May/June 2025**

INSERT **1 hour 45 minutes**

9041665138-I

INFORMATION

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

alpha

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2

We Care Products (WCP)

WCP was started in 2015 in Australia by Aldin. He wanted to use his enterprise skills for the benefit of society. Aldin persuaded several of his friends and family to invest and WCP was set up as a private limited company. WCP manufactures toilet paper using sustainable resources. Aldin wants WCP to be a profitable company, selling its toilet paper in high income countries. Aldin also has important social objectives for WCP. WCP donates fifty percent of all profits after tax to its own charity that works in low-income countries to provide better toilets and improve sanitation.

External influences

Inflation has been rising and economic growth is slow in all the main countries where WCP sells its products. Governments in these countries have increased interest rates.

There is increasing environmental awareness and higher income earners continue to buy ethically sourced and produced products.

Marketing

All WCP sales of its toilet paper are currently made through its website. The toilet paper is sent directly to customers from distribution centres in the US, Europe and Australia.

Customers have to order toilet paper in large quantities. WCP has a loyal customer base of ethically-minded customers who are prepared to pay premium prices for its toilet paper.

WCP's toilet paper is presented in distinctive packaging. The packaging is brightly coloured and recyclable, displaying the WCP company logo and its slogan 'We Care'. Effective customer relationship marketing ensures that customers are reminded to reorder toilet paper and are also kept up-to-date with the WCP charity's projects worldwide.

Aldin wants to start selling WCP toilet paper in supermarkets in Europe. WCP need to decide on an appropriate integrated marketing plan to sell its toilet paper through supermarkets.

Elasticities

Using sales figures from the last two years, Aldin has estimated the elasticity data for online sales of the WCP toilet paper product. These estimates are shown in Table 1.1.

Table 1.1 Elasticity data for online sales of WCP toilet paper

	Elasticity values
Price elasticity of demand	–1.2
Income elasticity of demand	1.6
Promotional elasticity of demand	0.7

Possible takeover

Aldin is always considering ways to expand WCP. WCP has the opportunity to take over GC, a successful company based in the US that manufactures eco-friendly paper products. Aldin thinks that this takeover would be an effective way for WCP to increase its scale of operations. Aldin is trying to raise the finance for the $8 million required to take over GC. He is considering raising this through long-term bank loans. However, WCP's Finance Director has suggested that they

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might convert WCP to a public limited company and raise the finance required through a share flotation. Table 1.2 shows extracts from WCP's financial statements.

Table 1.2 Extracts from WCP's financial statements *40*

	Year ending 30 April 2025 ($m)	Year ending 30 April 2024 ($m)
Revenue	21	17.5
Cost of sales	12	10
Operating profit	3	2
Profit for the year	1.5	1.5
	At 30 April 2025 ($m)	At 30 April 2024 ($m)
Non-current liabilities	10	8
Capital employed	16	15

45

Human resources *50*

Aldin supports creativity in WCP employees and rewards innovative ideas. All WCP employees have full-time permanent contracts and are paid above average salaries. Employee requests for flexi-time are granted whenever possible, as Aldin believes that work-life balance is important. Employees are offered relevant training to help develop their careers with promotion opportunities. Labour turnover is low and WCP has gained a reputation as an ethical employer. *55*

The human resources management (HRM) approach at GC is quite different to WCP. The aim of GC's approach is to minimise unit labour costs. Production line employees are paid the national minimum hourly wage and most have part-time or zero hours contracts. Team leaders on each production line are set daily targets and monitor employees' work to ensure these are achieved. Labour turnover is high and employees complain about boring jobs and low pay. *60*

If the takeover goes ahead, Aldin will consider whether to change the HRM approach at GC to be the same as the current HRM approach at WCP.

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Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

9041665138

BUSINESS **9609/33**

Paper 3 Business Decision-Making **May/June 2025**

1 hour 45 minutes

You must answer on the question paper.

You will need: Insert (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use an HB pencil for any diagrams, graphs or rough working.

INFORMATION

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

This document has **12** pages. Any blank pages are indicated.

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[Turn over

1 Analyse **two** ways the external influences referred to in lines 8–12 may impact on WCP.

..... [8]

2 Analyse **two** possible effects on WCP's efficiency of an increase in its scale of operations.

..... [8]

3 **(a)** Using the data in Table 1.2, calculate the operating profit margin for WCP in 2025.

..... [2]

(b) Using the data in Table 1.2, calculate the gearing ratio as at 30 April 2025.

..... [2]

(c) Evaluate whether WCP should finance the proposed GC takeover with long-term bank loans.

..... [12]

4 **(a)** Use the data in Table 1.1 and Table 1.2 and assume no other changes. Calculate the expected revenue for the year ending 30 April 2026 if WCP increases promotional spending from $2.5 million to $3 million.

..... [4]

(b) Evaluate the most important element of a new marketing plan for WCP to sell its toilet paper through supermarkets.

..... [12]

5 Evaluate the most important factor Aldin should consider before changing the HRM approach at GC if the takeover goes ahead.

..... [12]

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CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/33**

Paper 3 Business Decision-making **May/June 2025**

MARK SCHEME

Maximum Mark: 60

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 May/June 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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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 descriptions 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.

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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.

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PUBLISHED

Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	For objective points that are correct.
	For objective points that are wrong.
TV	When the candidate has attempted something, but the mark/skill has not been awarded as the answer is not sufficiently clear.
Highlighter	To highlight a point or section of an answer that justifies the mark/annotation.
BOD	When the candidate has attempted something, and the mark/skill has been awarded.
SEEN	To show a page/section has been seen/read.
REP	The repetition of a previous point in a response **or** the candidate is copying the case study/data.
OFR	The own figure rule applies – acts as a mark/tick.
K	When AO1 has been awarded. The number of Ks should match the mark awarded.

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Annotation	Meaning
APP	When AO2 has been awarded. The number of APPs should match the mark awarded.
AN	When AO3 at Level 1 has been awarded.
L2 AN	When AO3 at Level 2 has been awarded.
EVAL	When AO4 at Level 1 has been awarded.
L2 EVAL	When AO4 at Level 2 has been awarded.
L2	When AO3 or AO4 has been awarded at Level 2.
L3	When AO4 has been awarded at Level 3.

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Guidance on using levels-based marking

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The examiner should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:

- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range.
- If the candidate's work **just** meets the level statement, award the lowest mark.
- L1, L2 etc. must be clearly annotated on the response at the point where the level is achieved.

Assessment objectives

AO1 Knowledge and understanding
Demonstrate knowledge and understanding of business concepts, terms and theories.

AO2 Application
Apply knowledge and understanding of business concepts, terms and theories to problems and issues in a variety of familiar and unfamiliar business situations and contexts.

AO3 Analysis
Analyse business problems, issues and situations by:
- using appropriate methods and techniques to make sense of qualitative and quantitative business information
- searching for causes, impact and consequences
- distinguishing between factual evidence and opinion or value judgement
- drawing valid inferences and making valid generalisations.

AO4 Evaluation
Evaluate evidence in order to make reasoned judgements, present substantiated conclusions and, where appropriate, make recommendations for action and implementation.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>
Analyse <u>two</u> ways the external influences referred to in lines 8–12 may impact on WCP.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
1	**Note:** • If more than two impacts are referred to, reward the best two. All annotation (K APP AN L2) should be in the left margin. Responses may include: **AO1 Knowledge and understanding** Definition of external influences (max K1) might include: • External influences are outside the control of the business and act as both a constraint and an enabler for WCP's activities. • Definition of external influences such as inflation, economic growth, interest rates and social trends. Knowledge of impact of external influences might include (max K2): • Increased running costs • WCP may have to increase prices • Increased borrowing costs • Increased consumer interest in ethically produced products • Decreased sales of premium priced products • Cost of living increase impacting low and middle income consumers **AO2 Application** *Limited application, APP applies knowledge to WCP once.* *Developed application, APP + APP applies knowledge to WCP twice.* *Max one APP for application for the first external influence/impact and max one APP for application for the second external influence/impact.* **Note:** Application is making use of relevant case information not just repeating it.	**8**

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Question	Answer	Marks
1	• WCP products are premium/high priced due to ethical sourcing and production. Cheaper substitutes available. • Cost of sustainable resources likely to increase. • High income earners less impacted by inflation and interest rates and these are the target market. • WCP products; toilet paper is an 'essential'. • Ethical/environmentally consumers' interest in support for improving sanitation in low-income countries. Use of data on price elasticity of demand and income elasticity of demand. **AO3 Analysis** *Limited analysis* AN *- candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *- candidate shows two or more links in the chain of analysis OR offers a two-sided analysis* • High inflation leading to increased production costs may reduce profit margins AN resulting in reduced profit L2 AN • Increased interest rates will lead to higher borrowing costs and may constrain lending and firms willingness to borrow AN thus leading to lower growth of WCP L2 AN. • Ethical production and support for sanitation in developing countries may lead to price inelastic demand and therefore demand would be relatively unaffected by increased prices AN which may limit impact on profits of WCP L2 AN • Higher income earners will be less affected by 'cost of living' pressures, so sales may not decrease AN • WCP products are 'essentials' and they have a loyal customer base so sales may not decrease AN but even high-income customers may 'trade down' to cheaper paper products L2 AN (two-sided analysis) Accept all valid responses.	8

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>
Analyse <u>two</u> possible effects on WCP's efficiency of an increase in its scale of operations.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
2	**Note:** • Only reward effects on WCP. • If more than two effects are referred to, reward the best two. All annotation (K APP AN L2) should be in the left margin. Responses may include: **AO1 Knowledge and understanding** Definition of scale of operations or efficiency or economies of scale (max K1) might include: • Increasing scale of operations means that the firm has the ability to produce at a higher level. • Efficiency means the ability of the firm to convert inputs into outputs • Economies of scale are factors which cause average costs to decrease as output increased, such as purchasing, managerial, technical, and marketing. Knowledge of impact on efficiency might include (max K2): • Wider range of products to sell. • Ability to meet the needs of more customers. • Ability to benefit from economies of scale, such as technical, managerial, purchasing, marketing, financial. • Risk of diseconomies of scale, such as poor communication and industrial relations problems. **AO2 Application** *Max one APP for application to the first effect on efficiency of increasing the scale of operations and max one APP for application to the second effect on efficiency of increasing the scale of operations.* • WCP use sustainable resources • If WCP take over GC this will be an increase in the scale of paper cleaning products operations • GC could add to range of eco-friendly paper products, increasing its product portfolio. • Potential economies of scale such as purchasing recycled paper or paper for recycling • Potential diseconomies of scale due to difficulties of communicating over long distances geographically • GC is based in the US, so there may be a chance of extending WCP's market there	**8**

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Question	Answer	Marks
2	**AO3 Analysis** *Limited analysis* AN *- candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *- candidate shows two or more links in the chain of analysis.* • Increase in scale increases output and may add to WCP's portfolio, meaning wider product range and more potential customers increasing revenue AN and therefore may increase profit L2 AN. • Increased output leading to economies of scale and decreased average costs may lead to WCP able to decrease price AN and increase revenue if demand is price elastic L2 AN • Increasing scale of operations will enable the company to diversify and grow, increasing sales AN • Diseconomies of scale may lead to increasing average costs due to communication problems, decreasing profit. AN Accept all valid responses.	**8**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(a)</td><td>

Using the data in Table 1.2, calculate the operating profit margin for WCP in 2025.

Table 1.2 Extracts from WCP's financial statements

<table>
<tr><td></td><td>Year ending 30 April 2025 ($m)</td><td>Year ending 30 April 2024 ($m)</td></tr>
<tr><td>Revenue</td><td>21</td><td>17.5</td></tr>
<tr><td>Cost of sales</td><td>12</td><td>10</td></tr>
<tr><td>Operating profit</td><td>3</td><td>2</td></tr>
<tr><td>Profit for the year</td><td>1.5</td><td>1.5</td></tr>
<tr><td></td><td>30 April 2025 ($m)</td><td>30 April 2024 ($m)</td></tr>
<tr><td>Non-current liabilities</td><td>10</td><td>8</td></tr>
<tr><td>Capital employed</td><td>16</td><td>15</td></tr>
</table>

OPM = operating profit / Revenue × 100 (1 mark if no correct calculation)
3 / 21 × 100 = 14.29 % OR 14.3 % or 14 % (2 marks)
2024 figures 2 / 17.5 × 100 = 11.4 % OR 11.4 % OR 11 % (1 mark)

Notes
Allow 14.28 % (2)
14.28 (1)

</td><td>2</td></tr>
</table>

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Question	Answer	Marks
3(b)	**Using the data in Table 1.2, calculate the gearing ratio as at 30 April 2025.** Gearing = Long term liabilities / capital employed × 100 (1 mark if no correct calculation) 2025 10 / 16 × 100 (1) = 62.5 % OR 63 % (2 marks) 2024 8 / 15 × 100 = 53.3 % OR 53 % (1 mark) **Notes** 62.5 (1)	**2**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>Evaluate whether WCP should finance the proposed GC takeover with long-term bank loans.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
</table></td><td>12</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>1</td><td>1 mark
Limited knowledge
of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application
of relevant point(s) to the business context.</td><td>1 mark
Limited analysis
that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/ conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
Responses may include:

AO1 Knowledge and understanding

Limited knowledge K will be demonstrated through knowledge of takeovers or possible sources of finance
Developed knowledge K + K + will be demonstrated through knowledge of takeovers and possible sources of finance
Responses may include:

AO1 Knowledge and understanding

Limited knowledge K will be demonstrated through knowledge of takeovers or possible sources of finance
Developed knowledge K + K + will be demonstrated through knowledge of takeovers and possible sources of finance
</td><td>12</td></tr>
</table>

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Question	Answer	Marks
3(c)	Knowledge of takeovers Definition of takeover, external growth, when one firm buys a controlling share in another or integration when one firm buys another. • May eliminate a competitor • May spread risk External growth is faster than internal growth Knowledge of sources of finance • Crowd funding • Bank loans • Venture capital • More finance from shareholders in a private limited company • Becoming a plc, equity finance Knowledge of factors in the decision • Control • Cost Gearing – risk **AO2 Application** *Limited application,* APP *applies knowledge to WCP once.* *Developed application,* APP + APP *applies knowledge to WCP twice.* • Takeover will cost $8m much higher than profit for the year $1.5m. • Profit for the year has remained stable 2024/2025. • 50% of profit donated to foundation to improve sanitation in developing countries. • Gearing is over 50% (quite high) and has increased by nearly 10%. • Crowdfunding part of the amount from WCP's loyal paper products customers may be an opportunity. • Difference of opinion over source of finance between Aldin and Finance Director.	**12**

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Question	Answer	Marks
3(c)	**AO3 Analysis** *Limited analysis* AN *- candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *- candidate shows two or more links in the chain of analysis.* • Takeover is costly and the relatively high gearing of WCP increases risk of further borrowing AN causing cash flow problems for WCP L2 AN if GC is not immediately profitable. • Finance from a venture capitalist may mean Aldin and other shareholders giving up a % of WCP leading to a possible loss of control AN. • Given the current gearing of 62.5% further borrowing of $8m would increase gearing to 18m/24m 75% which is very high AN and would decrease profits due to repayments L2 AN . Converting to a plc may raise more finance that does not need to be repaid so less impact on profit AN but also risks loss of control if more than 50% of WCP is sold L2 AN **AO4 Evaluation** *Limited evaluation* EVAL *- limited supported judgement and/or a weak attempt at evaluative comment* *Developed evaluation* L2 EVAL *- supported judgement and/or reasonable evaluative comment* *Developed evaluation in context* L3 EVAL *- supported judgement in context and/or reasonable evaluative comment in context.* • A judgement about whether a bank loan is the best source of finance. • Elements that the evaluation/judgement might depend on: – Cost issues, repayment versus loss of control to venture capitalists – If current shareholders are all willing to go through sale of company/conversion to plc – How quickly the finance is needed • Other factors to consider e.g. – Social objectives of WCP, to what extent will donations be affected – Depends on availability of finance linked to relatively high gearing and interest rate. – Crowdfunding unlikely to raise a significant amount – Opportunity cost of this project. What other future plans may WCP have? • Weighing up of the factors and their relative influence on WCP's decision on the most suitable source of finance. • Converting to a plc may raise more finance that does not need to be repaid so less impact on profit AN but risks loss of control if more than 50 % of WCP is sold EVAL Accept all valid responses.	**12**

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Question	Answer	Marks
4(a)	**Use the data in Table 1.1 and Table 1.2 and assume no other changes. Calculate the expected revenue for the year ending 30 April 2026 if WCP increases promotional spending from $2.5million to $3 million.** PrED = % change in quantity demanded / % change in promotional spending (1 mark if no correct calculations) Change in promotional spending = 20 % (1) % change in quantity demanded / 20 % = 0.7 (2) 20 % × 0.7 = 14 % (3) $ 21 m × 1.14 = $ 23.94 m (4) **Note:** 23.94 m (4) but $ 23.94 (3)	**4**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

Evaluate the most important element of a new marketing plan for WCP to sell its toilet paper through supermarkets.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>1</td><td>1 mark
Limited knowledge
of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application
of relevant point(s) to the business context.</td><td>1 mark
Limited analysis
that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/ conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

Responses may include:

AO1 Knowledge and understanding

Limited knowledge K *will be demonstrated through a definition of a marketing plan or understanding of the role of one element of a marketing plan*
Developed knowledge K + K *will be demonstrated through a definition of a marketing plan **AND** the role of one element of a marketing plan **OR** through understanding of the role of two elements of a marketing plan.*

Knowledge of a marketing plan.
- A coordinated marketing strategy integrates all aspects of the marketing mix, objectives and budget.
- Marketing plan is part of marketing strategy to achieve marketing objectives within a budget.
- Marketing mix as part of planning consists of price, place, promotion and product

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
4(b)	Knowledge of elasticity of demand • Understanding of different elasticity concepts: – promotional elasticity measures responsiveness of demand to changes in promotional spending – price elasticity measures responsiveness of demand to a change in price – income elasticity measures the responsiveness of demand to a change in income. • Understanding of inelastic - not responsive and elastic - responsive to change in price/promotion/income. **AO2 Application** *Limited application,* APP *applies knowledge to WCP once.* *Developed application,* APP + APP *applies knowledge to WCP twice.* • Supermarkets are a new sales outlet for WCP products. • Different supermarkets may target different groups, such as low- or high-income customers. • Current marketing plan focuses on on-line selling and loyal customers, who order in large quantities. • WCP are effective in customer relationship marketing, as evidenced by loyal customer base. • Estimated PED is –1.2. This is price elastic. An increase in price will result in a greater % decrease in demand. • Estimated promotional elasticity of demand is 0.7. Demand is promotion inelastic i.e. relatively unresponsive. • Answer from (a) (allow OFR) a 20 % increase in promotional spending will lead to a 14 % increase in revenue. • Estimated YED is 1.6 so elastic and a normal good • Levels of income and unemployment will vary by sales region. This will impact elasticity measures. • Ethical customers may have an impact on elasticity as willing to pay premium prices. **AO2 Analysis** *Limited analysis* AN *- candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *- candidate shows two or more links in the chain of analysis.* • Knowledge of PED is useful to WCP making decisions about pricing. For example, elastic PED would indicate that an increase in price would decrease revenue AN and therefore decrease profit L2 AN. • Supermarkets will sell many substitute products therefore the WCP brand will need to stand out AN therefore packaging will need to attract customer attention in order to encourage them to try WCP's product L2 AN.	**12**

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Question	Answer	Marks
4(b)	• Selling through supermarkets will mean that some change in packaging is needed, as customers will not want to buy in large quantities, perhaps increasing production costs AN and therefore decrease profit L2 AN. • Increase in spending and a PrED of 0.7 will lead to an increase in demand but a lesser % than the increase in spending suggesting that promotion is less effective AN. • As WCP sell a premium priced product choosing the right supermarkets to distribute through will be important in order to reach the high-income customers and maximise sales AN. **AO3 Evaluation** *Limited evaluation* EVAL *- limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *- supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *- supported judgement in context and/or reasonable evaluative comment in context.* • A judgement about the most important element of the marketing plan. • In a marketing plan, WCP will also consider other factors e.g. changing products and customers' view towards ethical trading. These changes to the marketing mix can increase sales and impact profit. • The customer profile of supermarkets will be different, therefore some of WCP estimates of elasticity may be inaccurate, will very much depend on the supermarket. • A judgement about the usefulness of elasticity to marketing planning decisions. • A judgement about the limitations of elasticity calculations. – Measurement of elasticity is difficult and likely to be inaccurate due to large range of factors that will affect outcomes, for instance competitors entering the market. Other things don't remain equal in markets. • Factors that the judgement could depend on including: – The degree of competitive rivalry in the market – Other elements of marketing plan are important e.g. integrated marketing mix to ensure consistency in message communicated to potential customers and therefore attract sales. Accept all valid responses.	12

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>

Evaluate the most important factor Aldin should consider before changing the HRM approach at GC if the takeover goes ahead.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>1</td><td>1 mark
Limited knowledge
of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application
of relevant point(s) to the business context.</td><td>1 mark
Limited analysis
that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/ conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
Responses may include:

AO1 Knowledge and understanding

Limited knowledge K will be demonstrated through knowledge of HRM approaches OR knowledge of relevant factor(s).
Developed knowledge K + K + will be demonstrated through knowledge of HRM approaches AND knowledge of relevant factor(s).

Knowledge of HRM approaches:
• Hard versus soft HRM approaches.
• Need for whole company integrated HRM approach.
• General links with motivation
• Flexible employment contracts versus full-time contracts
</td><td>12</td></tr>
</table>

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Question	Answer	Marks
5	Knowledge of factors in the decision • Highly motivated employees make for better productivity and low labour turnover • Target setting may help to meet overall objectives • Flexible employment contracts may mean needs of the business are met, but full-time contracts may lead to higher employee satisfaction and loyalty • Changing HRM strategy may involve costs, such as redundancy payments or recruitment. • A takeover will be successful if HRM can integrate strategies • Nature of the workforce: Hard HRM may be suitable for less skilled workforce. Soft HRM may be more suitable more skilled workforce. **AO2 Application** *Limited application,* APP *applies knowledge to WCP once.* *Developed application,* APP + APP *applies knowledge to WCP twice.* **Note:** Application is making use of relevant case information not just repeating it. • WCP seems to follow a soft HRM approach. • WCP has gained a reputation as an ethical employer. • Labour turnover at WCP is low. • GC seems to follow a hard HRM approach, possible culture clash may result. • Flexible employment contracts used by GC contrast with full-time contracts at WCP. • Consideration by Aldin of an integrated consistent approach after takeover of GC. **AO3 Analysis** *Limited analysis* AN *- candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *- candidate shows two or more links in the chain of analysis.* • Soft HRM at WCP has led to motivated workers and low labour turnover AN and therefore less costs of recruiting and training new employees. L2 AN • Flexible employment contracts at GC, targets and 'boring jobs' suggest hard HRM leading to high turnover AN. However, flexible contracts suit some workers who have other commitments, and they may be very productive when at work L2 AN	**12**

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Question	Answer	Marks
5	• Flexible contracts, such as zero hours mean workers are present when needed by the business and this may lead to lower wage costs AN and increased profits L2 AN • After the takeover of GC, WCP may want to change HRM approach at GC, may lead to higher motivation and productivity AN If many workers at GC are low skilled then the hard HRM approach may lead to efficiency and targets achieved AN **AO4 Evaluation** *Limited evaluation* L1 EVAL *- limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *- supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *- supported judgement in context and/or reasonable evaluative comment in context.* • A judgement about the most important factor Aldin should consider before making the change. • Hard HRM approach at GC would be hard to change and will take time and careful management of change • There will be costs as well, have these been considered? • Managers at GC may not be willing and/or able to change their approach • It will also depend on the nature of the workers at GC, are they mainly unskilled? • HRM approach needs to fit with the company's social and ethical objectives • What exactly might success mean in HR terms? More profit? More motivated workers? • Might there be room for more than one approach? Accept all valid responses.	**12**

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Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/31**

Paper 3 Business Decision-Making **October/November 2025**

INSERT **1 hour 45 minutes**

7505521618-I

INFORMATION

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

alpha

DC (WW) 350379/3
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[Turn over

2

Pedro's Perfect Pies (PPP)

Pedro left school without any formal qualifications. Pedro was given the opportunity to work in a pie factory. This was owned by an entrepreneur who wanted to help unqualified young people.

Pedro spent six years working at the factory. He was quickly promoted because he was conscientious and showed initiative. When the business owner retired, she offered Pedro the chance to buy the business. Pedro raised capital from his savings, friends and family and bought the business. PPP became a private limited company, with Pedro as Managing Director. PPP is based in country A.

PPP manufactures a wide range of pies in its factory. The pies are sold to retailers in country A and other countries in the region.

Growth

PPP has grown steadily over the last few years. Its revenue and profits have increased by an average of 8% per year. Production capacity has been increased to keep up with demand. Growth has been financed by retained earnings and bank loans. Recent accounting data is shown in Table 1.1.

Table 1.1: Accounting data

	2024
Revenue ($m)	15
Operating profit ($m)	0.9
Non-current liabilities ($m)	6
Gearing (%)	45

External influences

Real incomes in country A and other countries in the region have been falling due to high inflation and low economic growth. Trade between country A and other countries in the region has become more difficult, due to country A leaving an international trade agreement. Consumers are changing their eating habits, and many people are eating less meat.

Marketing

When Pedro bought the business, he identified an opportunity to develop a premium product. Pedro asked the marketing team to carry out market research. The results of this established that there was a market for high quality, higher priced pies. Pedro discussed this new product development with all of his marketing team because he valued their opinions.

Once the premium pies were launched, PPP branded its products as either classic or premium pies. Most pies PPP produces still contain meat. However, a newly developed premium no-meat vegan pie has started to sell very well. PPP is also planning to launch a new classic pie with a cheese filling especially for the export market.

Elasticity

Due to higher production costs PPP has increased its prices. Pedro has analysed some elasticity data for one type of classic pie and one type of premium pie, see Table 1.2.

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Table 1.2: Elasticity data

	Original price ($)	New price ($)	Monthly sales before price increase (units)	Monthly sales after price increase (units)	Estimated price elasticity of demand (PED)	Estimated income elasticity of demand (YED)
Classic pie	3	3.60	5000	See question **4(a)**	–1.5	–1.2
Premium pie	8	10	3000	2700	–0.4	+1.5

Human resources

Pedro has always been a self-confident innovator, both in terms of new product ideas and the way that PPP is organised and led. He is known for his social skills and is respected and trusted by his employees.

Pedro is also keen to help young unemployed people, in the same way as he was helped. PPP offers training apprenticeships in all areas of the factory. Trainees attend local colleges one day each week and are supervised by the department managers.

Pedro thinks employees are PPP's greatest asset. As well as training apprentices, he offers competitive wages and all employees have opportunities for career development and promotion within PPP. Pedro is also socially aware as he rewards employees for good ideas from weekly kaizen group discussions. Many employees have been with the company for more than five years.

Process innovation

PPP's current production process is labour intensive and pies are produced using batch production. All employees accept responsibility for product quality and are trained in quality assurance methods.

Pedro is considering investing in a new computer-controlled pie-making machine, see Table 1.3. This would increase production capacity in the factory. Factory employees would still need to complete the production process by adding the PPP pastry logo to the pies.

Table 1.3: Forecast net cash flow data for the proposed new machine

	$m
Year 0 (capital cost)	1.9
Year 1	0.5
Year 2	0.6
Year 3	0.8
Year 4	0.8
Average annual profit	0.2
Average investment	0.95

Pedro is undecided about increasing the use of machinery, especially as PPP will have to borrow the finance to purchase it.

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Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

7505521618

BUSINESS **9609/31**

Paper 3 Business Decision-Making **October/November 2025**

1 hour 45 minutes

You must answer on the question paper.

You will need: Insert (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use an HB pencil for any diagrams, graphs or rough working.

INFORMATION

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

This document has **12** pages. Any blank pages are indicated.

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[Turn over

Answer **all** questions.

1 Analyse **two** likely impacts on PPP of the changing external influences.

..... [8]

2 Analyse **two** benefits to PPP of using quality assurance.

..... [8]

3 **(a)** Using the data in Table 1.3, calculate the payback period for PPP's proposed new machine.

..... [2]

(b) Using the data in Table 1.3, calculate the accounting rate of return (ARR) for PPP's proposed new machine.

..... [2]

(c) Evaluate whether PPP should invest in the new machine.

..... [12]

4 **(a)** Using the data in Table 1.2, calculate the monthly revenue from the sales of the classic pie after the price increase.

..... [4]

(b) Evaluate the usefulness to PPP of elasticity measures when deciding on the marketing mix for the new cheese pies in export markets.

..... [12]

5 Evaluate the importance of emotional intelligence to Pedro's leadership of PPP.

..... [12]

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CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/31**

Paper 3 Case Study **October/November 2025**

MARK SCHEME

Maximum Mark: 60

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 October/November 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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PUBLISHED

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 descriptions 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.

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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.

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Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	For objective points that are correct.
	For objective points that are wrong.
TV	When the candidate has attempted something, but the mark/skill has not been awarded as the answer is not sufficiently clear.
Highlighter	To highlight a point or section of an answer that justifies the mark/annotation.
BOD	When the candidate has attempted something, and the mark/skill has been awarded.
SEEN	To show a page/section has been seen/read.
REP	The repetition of a previous point in a response **or** the candidate is copying the case study/data.
OFR	The own figure rule applies – acts as a mark/tick.
K	When AO1 has been awarded. The number of Ks should match the mark awarded.

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Annotation	Meaning
APP	When AO2 has been awarded. The number of APPs should match the mark awarded.
AN	When AO3 at Level 1 has been awarded.
L2 AN	When AO3 at Level 2 has been awarded.
EVAL	When AO4 at Level 1 has been awarded.
L2 EVAL	When AO4 at Level 2 has been awarded.
L2	When AO3 or AO4 has been awarded at Level 2.
L3	When AO4 has been awarded at Level 3.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>

Analyse two likely impacts on PPP of the changing external influences.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

Note:
- If more than two impacts are referred to, reward the best two.
- Accept any external influence that relates to context
- L2AN (3 marks) is possible for just one point made.
- All annotation (K APP AN L2) should be in the left margin.

</td><td>8</td></tr>
</table>

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Question	Answer	Marks
1	Responses may include: **AO1 Knowledge and understanding** Definition of external influences (max K1) might include: • External influences are those outside the control of business and act as both constraints and enablers for PPP's activities. • External influences include legal, political, economic and social changes. Knowledge of impact of changes in external influences might include (max K2): • Increased trading barriers making trade more difficult, such as due to import taxes/tariffs • Decreasing demand for luxury goods due to decreasing income • Increasing demand for budget or low-priced goods due to decreasing income • Changes to eating habits and diets, such as healthy eating **AO2 Application** Application is making use of relevant case information not just repeating it. *Limited application,* APP *applies knowledge to PPP once.* *Developed application,* APP *+* APP *applies knowledge to PPP twice.* *Max one* APP *for application for the first impact in context and max one* APP *for application for the second impact in context.* • Trade more difficult between Country A and other countries in the region, may mean more expensive to export and import pies and ingredients, due to import taxes. • PPP sells both 'classic' pies and premium 'handmade' pies, the mix of items sold may change, due to falling real incomes. • 'Classic' pies may have a negative YED, whereas premium pies may have a positive YED (see table 1.1) • Maybe an opportunity for the new vegan range to be developed, due to people consuming less meat. • Maybe a threat to the new cheese pie aimed at the export market	

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Question	Answer	Marks
1	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *–– candidate shows two or more links in the chain of analysis OR offers a two-sided analysis* • An increase in export costs may make pies more expensive for overseas customers, leading to less export orde AN resulting in reduced revenues and prof L2 AN / unless PPP finds a way to decrease production co L2 AN • Imported ingredients may become more expensive leading to higher production costs and pric AN • Demand may increase for 'classic' pies and decrease for 'premium' pie AN The impact on total revenue will depend on the different added value amounts, but is likely to decrease, maybe decreasing pro L2 AN • If pies are seen as generally unhealthy, overall demand will fall, due to the 'healthy eating' trend, leading to a decrease in sales revenue AN • Demand for meat pies may decrease, decreasing revenue AN but there could be an increase in demand for no-meat vegan pies, giving PPP an opportunity to develop this innovative range and increase sales L2 AN (two-sided analysis) • The difficulties in exporting to countries in the region may encourage Pedro, as an innovator to explore other markets and target a wider range of customers in other countries or at home resulting in increased brand awarenes AN and sales revenue. L2 AN . • Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>

Analyse two benefits to PPP of using quality assurance.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

Note:
- Only reward benefits of **use** of QA to PPP.
- If more than two benefits are referred to, reward the best two.
- All annotation (K APP AN L2) should be in the left margin.

</td><td>8</td></tr>
</table>

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Question	Answer	Marks
2	Responses may include: **AO1 Knowledge and understanding** • Definition of quality assurance (QA) (max K1) might include: • QA involves checking for errors throughout the production process/at each stage, rather than at the end. • QA focuses on preventing mistakes, rather than finding them. • QA gives all employees responsibility for the checking process. • QA as part of TQM. Knowledge of benefits might include (max K2): • QA means no need to employ quality control inspectors. • QA means mistakes should be picked up early in the production process, rather than at the end. • QA leads to more responsibility for employees and may lead to motivation. • QA should lead to less wasted output and lower costs. • QA should lead to all employees understanding that quality is part of their job. **AO2 Application** *Max one APP for application to the first benefit of using QA and max one APP for application to the second benefit of using QA.* • Pedro values his employees and trains them, including in carrying out QA. • Pedro encourages ideas from employees and offers rewards, which can improve QA methods. • QA would start from the point where ingredients arrive at the factory and it is likely that there would also be some checks on suppliers. • The importance of safety in food products.	

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Question	Answer	Marks
2	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • QA is likely to have cut down on wasted ingredients and pies potentially reducing unit pie production costs, increasing efficiency AN and therefore increased pro L2 AN . • QA means that quality control inspectors are not needed, decreasing wage costs AN • Taking responsibility for quality may motivate employees and result in an increase in productivity or work eff AN reducing unit costs L2 AN and therefore increase profit. • Motivated employees may provide good product development ideas which will increase sale AN and therefore profit L2 AN. • QA will motivate and retain employees and therefore reduce recruitment cost AN . Accept all valid responses	

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Question	Answer	Marks
3(a)	**Using the data in Table 1.3, calculate the payback period for PPP's proposed new machine.** Definition of payback: the amount of time it takes for the initial investment cost to be recovered (1 if no valid calculation) (1.9) + 0.5 + 0.6 + 0.8 = 0 payback is 3 years or 36 months (2) 0.5 + 0.6 + 0.8 = 1.9 (1) Correct units needed for full marks – years or months.	**2**
3(b)	**Using the data in Table 1.3, calculate the accounting rate of return (ARR) for PPP's proposed new machine.** ARR = average annual profit / average investment × 100 (1 if no valid calculation) ARR = 0.2 / 0.95 × 100 = 21.05% or 21.1% or 21% (2) Use of 'old' formula 0.2 / 1.9 × 100 = 10.53% (1) Correct units required for full marks – %	**2**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>

Evaluate whether PPP should invest in the new machine.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
3(c)	Responses may include: **AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of one factor in investment decision / knowledge of impacts of process innovation.* *Developed knowledge* K + K *+ will be demonstrated through knowledge of two factors in the investment decision / impacts of process innovation.* Knowledge of process innovation and its impacts Definition of process innovation: the move to new methods of production, in this case computer-controlled automation. Less labour required. Knowledge of factors in decision • Investment cost. • Availability of finance. • Impact on employees. • ARR and Payback results. • Technical economies of scale possible. • Reduction in average cost of production. • Impact on quality. **AO2 Application** *Limited application,* APP *applies knowledge to PPP once.* *Developed application,* APP + APP *applies knowledge to PPP twice.* • Payback of 3 years – within 4 years of estimated life. • Return of $800 000 over 4 year period. • ARR of 21.05% • Cost of machine $1 900 000 • NCL are $6 million and gearing is 45%, total CE is therefore $13.3 million • Extra borrowing of $1.9 m would make gearing 7.9 / 15.2 = 51.97% • Pies have a shelf-life, therefore over-stocking inadvisable	

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Question	Answer	Marks
3(c)	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Machine is costly, but the relatively high gearing of PPP increases risk of further borrowing AN causing cash flow problems for PPP L2 AN especially if sales fail to increase at the same rate as capacity increase. • Employee training to deal with computer automated system will result in increased cost AN , but PPP has a reputation for good employee training, which could be boosted by this L2 AN • Automation leads to increased efficiency AN and therefore eventually increased profit L2 AN . • Introducing automation may cause disruption to operations in the short-term reducing output whilst it is installed AN possible damage to reputation if orders are not fulfilled resulting in lower sales L2 AN • Automation will help PPP fulfil customer orders more quickly resulting in customer satisfaction AN and therefore an increase in sales L2 AN • Automation may result in a reduction in the number of employees engaged in production which will reduce operating costs AN but this will also result in redundancy payments being made L2 AN • If automation leads to excess stocks, waste may increase AN , which could lead to increased production costs L2 AN • Work may become more boring for employees resulting in a reduction in motivation and therefore an increase in labour turnover AN increasing costs L2 AN	

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Question	Answer	Marks
3(c)	**AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment* *Developed evaluation in contex* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • A judgement about whether to invest in automation/process innovation. • Elements that the evaluation/judgement might depend on: If automation is used, then success greatly depends on increased demand. How flexible might the machine be in changing from one type of pie to another? How well does automation fit with the 'social objectives' of PPP's employment practices? How important might the 'handmade' aspect of PPP's pies be in marketing? • Other factors to consider e.g. NPV as this considers time value of money. Depends on availability of finance linked to relatively high gearing and interest rate. How long will it take to install the automated system? Will specialist IT employees be required and how expensive is that? Opportunity cost of this project. • Weighing up of the factors and their relative influence on PPP's decision whether to invest in the new machine Accept all valid responses	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(a)</td><td>Using the data in Table 1.2, calculate the monthly revenue from the sales of the classic pie after the price increase.
<table>
<tr><th></th><th></th><th>Mark</th></tr>
<tr><td>Correct new sales revenue
$ sign not required</td><td>3500 × $3.60 = $12 600</td><td>4</td></tr>
<tr><td>New quantity of sales</td><td>5000 – 30% = 5000 – 1500 = 3500</td><td>3</td></tr>
<tr><td>% change in QD</td><td>20% × –1.5 = (–)30%</td><td>2</td></tr>
<tr><td>Percentage change in price OR
PED equation</td><td>0.60/3.00 × 100 = (+) 20%
Percentage change in Quantity demanded /
Percentage change in price</td><td>1</td></tr>
<tr><td>No creditable response</td><td></td><td>0</td></tr>
</table></td><td>4</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

Evaluate the usefulness to PPP of elasticity measures when deciding on the marketing mix for the new cheese pies in export markets.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
4(b)	Responses may include: **AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of the concept of elasticity of demand <u>or</u> knowledge or marketing strategy.* *Developed knowledge* K + K *will be demonstrated through knowledge of the concept of elasticity of demand <u>and</u> knowledge of marketing strategy.* **Knowledge of elasticity of demand** Understanding of different elasticity concepts: • promotional elasticity measures responsiveness of demand to changes in promotional spending • price elasticity measures responsiveness of demand to a change in price • cross price elasticity measures the responsiveness of demand to a change in price of another product • income elasticity measures the responsiveness of demand to a change in income. • Understanding of inelastic - not responsive and elastic - responsive to change in price / promotion / income. **Knowledge of marketing strategy** • Marketing strategy includes market research and marketing mix to achieve marketing objectives within a budget. • Marketing mix consists of price, place, promotion and product	

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Question	Answer	Marks
4(b)	**AO2 Application** Do not reward APP for quoting elasticities, need to show understanding of the figures. *Limited application,* APP *applies knowledge to PPP once.* *Developed application,* APP + APP *applies knowledge to PPP twice.* • Estimated PED for classic pies is –1.5, which is price elastic, as confirmed by the calculation in 3a, the 20% increase in price would lead to a 30% decrease in demand. • Estimated PED for premium pies is –0.4, which is price inelastic. The 25% increase in price only led to a 10% decrease in demand • OFR for PED calculations • YED for classic pies is –1.2 (inferior good) and for premium pies +1.5 (normal/luxury good) • Monthly sales revenue following price increases would decrease (by $2400) for classic pies but increase (by $3000) for premium pies. • Market research data may suggest whether the demand for the proposed new cheese pie will be price elastic or price inelastic in other countries in the region. • As real incomes are falling in other countries in the region, cheese pies may be more successful if seen as a 'budget' product.	

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Question	Answer	Marks
4(b)	**AO2 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Knowledge of PED is useful to PPP in making decisions about pricing. For example, elastic PED would indicate that an increase in price would decrease revenu AN and therefore probably decrease pro L2 AN . • Decreasing price, such as using a launch penetration price will increase quantity of cheese pies demanded and therefore increase revenue/encourage more customers to try the new produ AN overall leading to a successful launch and loyal customers increasing profi L2 AN . • As real incomes are falling, launching cheese pies as a 'budget' item should lead to higher sales due to negative YED. AN **AO3 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in contex* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • In a marketing strategy, PPP will also consider other factors e.g. promotional elasticity of demand and local tastes in different countries in the region. • As this is a new pie product being launched, existing elasticity data for other products may not be as useful • To what extent may a pan global strategy be suitable in this case? • A judgement about the usefulness of elasticity to marketing mix decisions. • A judgement about the most important factors influencing marketing strategy decisions. • A judgement about the limitations of elasticity calculations. • Measurement of elasticity is difficult and likely to be inaccurate due to large range of factors that will affect outcomes, particularly competitor decisions. Other things don't remain equal in markets. • Factors that the judgement could depend on including the degree of competitive rivalry in the market • Other elements of marketing strategy are important e.g. integrated marketing mix to ensure consistency in message communicated to potential customers and therefore attract sales. Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>

Evaluate the importance of emotional intelligence to Pedro's leadership of PPP

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
5	Responses may include: **AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of emotional intelligence.* *Developed knowledge* K + K *+ will be demonstrated through knowledge of emotional intelligence and its importance in leadership.* Knowledge of emotional intelligence (EI): Goleman's four competencies: • Self-awareness • Social awareness • Self-management • Social skills/relationship management Statements showing understanding, such as: • Understanding emotions of yourself and others • Empathy with employees • Self control over moods/emotions Knowledge of EI importance in leadership • Effective leaders use their EI to understand others and motivate them • Effective leaders understand their own emotions and the impact they have on others so communicate effectively • The modern view of a good leader is one who has excellent social awareness and skills and maintains good relationships with their workforce.	

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Question	Answer	Marks
5	**AO2 Application** *Limited application,* APP *applies knowledge to PPP once.* *Developed application,* APP + APP *applies knowledge to PPP twice.* • There is evidence that Pedro is a democratic, transformational leader, who has taken employees with him since taking over PPP. • Pedro has a high level of emotional intelligence, so he understands his employees' feelings as well as his own. • Pedro encourages intrapreneurship in his employees and welcomes their ideas. • PPP has grown successfully under Pedro's leadership since 2010 • Pedro has ethical principles and social objectives in his employment practices **AO3 Analysis** *Limited analysis* AN - *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Pedro has developed PPP, using his social skills and a mainly democratic leadership style, leading to employee loyalty AN and therefore low recruitment costs L2 AN • Employees are motivated by their ideas being welcomed and delegated responsibilities, so productivity will increase AN. • Pedro's emotional intelligence will help him to understand how his employees may react to a change in the organisation, such as the introduction of automation, leading to successful change management AN • Pedro's employment principles, giving opportunities to unemployed young people gain PPP the reputation as an ethical employer with social objectives which may attract customers AN which will help improve PPP's performance L2 AN .	

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Question	Answer	Marks
5	**AO4 Evaluation** *Limited evaluation* L1 EVAL *– limited supported judgement and/or a weak attempt at evaluative comment* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment* *Developed evaluation in contex* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Which of Goleman's EI competencies may be most important for Pedro's leadership in the past and going forward? • Revenue and profit growth suggest improving performance year on year. To what extent can this be attributed to Pedro's emotional intelligence and leadership? • Future success may depend on many factors, both internal and external. How might the external influences disrupt PPP's future plans? • Democratic leadership and emotional intelligence may not be so effective if the business is faced with crisis situations. • Many of the job roles at PPP may be low skilled production tasks, might a more autocratic approach be needed in this case? • What might be the different measures of success for PPP, given its social objectives? • Too much emphasis may be placed on the characteristics and emotional intelligence of Pedro as a leader, who else is driving the success of PPP? Accept all valid responses.	

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Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/32**

Paper 3 Business Decision-Making **October/November 2025**

INSERT **1 hour 45 minutes**

5720765891-I

INFORMATION

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

alpha

DC (JP) 351538/1
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2

Komate Tropical Juice (KTJ)

KTJ is a private limited company based in country B in Africa. It was set up in 2014 by Ada Hadebe who is the majority shareholder and Managing Director. KTJ specialises in producing tropical fruit juices. KTJ's mission statement is 'to bring the tropical taste of Africa to the world through ethical relationships with farmers by focusing on sustainability throughout the supply chain'.

Sourcing fruit

KTJ's range of tropical fruit juices includes baobab, papaya and pineapple. Juices are produced from seasonal fruits without added sugar or colourings. Most fruits are sourced from local farm cooperatives in country B. The farms are chosen for their sustainable farming methods which KTJ has to regularly audit. Some fruits, not grown in country B, are imported from other countries in Africa.

Employees

KTJ has a flat organisational structure. Ada encourages a 'soft' approach to human resource management (HRM) and believes in the benefits of delegation. Ada is proud that KTJ has won awards in country B for its substantial investment in employee training and development.

Plastic packaging

Recently, one of KTJ's operations managers commissioned research into KTJ's use of plastic bottles for its fruit juices. After six months of research the final report recommended that KTJ should in future only use plastic bottles made entirely from recycled materials. Ada is considering whether to implement this change.

Expansion

KTJ has an excellent reputation for the quality of its tropical fruit juices which are marketed as premium products. Export demand has increased significantly during the past two years, especially from other African countries. KTJ's factory in country B is nearing full capacity. Ada thinks that KTJ should expand by processing tropical fruit in a location outside of country B. Ada authorised Gudaf, a junior market analyst, to prepare a report identifying the two best locations for the additional new factory. Gudaf visited multiple locations and prepared an investment appraisal. Gudaf will present the report to the Board of Directors next week recommending a location in either country C or country D.

Extracts from Gudaf's report are in Table 1.1, Table 1.2 and Table 1.3.

Table 1.1: Information about country C and country D

Country C	Country D
• A low-income country	• A middle-income country
• Many small farms produce tropical fruits	• Large scale farms produce tropical fruits
• Unreliable electricity supply	• Modern seaport near factory location
• Limited regulation of food and drink processing	• High levels of trade union membership

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Table 1.2: Investment data for country C location

Year	Net cashflow ($m)	
0	(10)	Accounting rate of return (ARR) = 25%
1	0.5	
2	1.5	
3	3	
4	4	
5	4	
6	6 (including residual capital value of $2m)	

Table 1.3: Investment data for country D location

		$m
Payback period 5 years	Capital cost	20
	Average profit	2.8
	Average investment	12

Seasonal sales

Since 2018, KTJ has exported tropical fruit juices to the US. The US is one of the world's most competitive markets for food and drink products. Sales are increasing and have met targets. Ada believes that KTJ can increase its market share significantly. Ada instructed the US marketing manager to carry out a market analysis and then develop a new marketing plan. The marketing manager is using time series analysis to help make business decisions. Table 1.4 is an extract of KTJ sales data in the US.

Table 1.4: KTJ tropical juice sales in the US by volume

Year	Quarter	Sales volume (million litres)	Four period centred moving average (million litres)
2023	4	4.9	5.34
2024	1	4.0	5.42
	2	6.0	5.55
	3	7.0	5.65
	4	5.5	5.725
2025	1	4.2	**See Q4(a)**
	2	6.4	
	3	7.6	

Fluctuations in the exchange rate

Ada monitors the external environment carefully to identify changes that will impact KTJ. There have been fluctuations in the exchange rate of country B's currency in recent years. At the last Board Meeting Ada commented 'financial markets have been unsettled by the recent change of government in country B. This has led to an average 20% depreciation in the value of country B's currency. This presents both an opportunity for, and a threat to, KTJ.' *75*

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Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

5720765891

BUSINESS **9609/32**

Paper 3 Business Decision-Making **October/November 2025**

1 hour 45 minutes

You must answer on the question paper.

You will need: Insert (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use an HB pencil for any diagrams, graphs or rough working.

INFORMATION

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

This document has **12** pages. Any blank pages are indicated.

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Answer **all** questions.

1 Analyse **one** advantage and **one** disadvantage to KTJ of delegation.

..... [8]

2 Analyse **two** impacts on KTJ of its commitment to corporate social responsibility (CSR).

..... [8]

3 **(a)** Using the data in Table 1.2, calculate the payback period of the country C location.

..... [2]

(b) Using the data in Table 1.3, calculate the accounting rate of return (ARR) of the country D location.

..... [2]

(c) Evaluate which location KTJ should choose for its new factory.

..... [12]

4 **(a)** Using the data in Table 1.4, calculate the four period centred moving average for Quarter 1 2025.

..... [4]

(b) Evaluate the usefulness of time series analysis to KTJ in making business decisions.

..... [12]

5 Evaluate the likely impact on KTJ of fluctuations in the exchange rate of country B's currency.

..... [12]

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CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/32**

Paper 3 Case Study **October/November 2025**

MARK SCHEME

Maximum Mark: 60

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 October/November 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

This document consists of **25** printed pages.

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PUBLISHED

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 descriptions 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.

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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.

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PUBLISHED

Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	For objective points that are correct.
	For objective points that are wrong.
TV	When the candidate has attempted something, but the mark/skill has not been awarded as the answer is not sufficiently clear.
Highlighter	To highlight a point or section of an answer that justifies the mark/annotation.
BOD	When the candidate has attempted something, and the mark/skill has been awarded.
SEEN	To show a page/section has been seen/read.
REP	The repetition of a previous point in a response **or** the candidate is copying the case study/data.
OFR	The own figure rule applies – acts as a mark/tick.
K	When AO1 has been awarded. The number of Ks should match the mark awarded.

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Annotation	Meaning
APP	When AO2 has been awarded. The number of APPs should match the mark awarded.
AN	When AO3 at Level 1 has been awarded.
L2 AN	When AO3 at Level 2 has been awarded.
EVAL	When AO4 at Level 1 has been awarded.
L2 EVAL	When AO4 at Level 2 has been awarded.
L2	When AO3 or AO4 has been awarded at Level 2.
L3	When AO4 has been awarded at Level 3.

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Guidance on using levels-based marking
Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.
The examiner should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:
- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range.
- If the candidate's work **just** meets the level statement, award the lowest mark.
- L1, L2 etc. must be clearly annotated on the response at the point where the level is achieved.

Assessment objectives

AO1 Knowledge and understanding
Demonstrate knowledge and understanding of business concepts, terms and theories.

AO2 Application
Apply knowledge and understanding of business concepts, terms and theories to problems and issues in a variety of familiar and unfamiliar business situations and contexts.

AO3 Analysis
Analyse business problems, issues and situations by:
- using appropriate methods and techniques to make sense of qualitative and quantitative business information
- searching for causes, impact and consequences
- distinguishing between factual evidence and opinion or value judgement
- drawing valid inferences and making valid generalisations.

AO4 Evaluation
Evaluate evidence in order to make reasoned judgements, present substantiated conclusions and, where appropriate, make recommendations for action and implementation.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>
Analyse <u>one</u> advantage and <u>one</u> disadvantage to KTJ of delegation.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding 2 marks</th><th>AO2 Application 2 marks</th><th>AO3 Analysis 4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one
• relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
Note:
• If more than one advantage and/or more than one disadvantage is identified reward the best advantage and best disadvantage.
• L2AN (3 marks) is possible for just one point made.
• All annotation (K APP AN L2) should be in the left margin.
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
1	**Responses may include** **AO1 Knowledge and understanding** Definition of delegation (max K 1 mark) is passing authority down the organisational hierarchy. Note: Do not reward 'manager giving a task to a subordinate'. Definition needs to include some reference to authority or responsibility. Knowledge of advantage to KTJ of delegation (max K 1 mark) • Motivational impact on employees. • Enables senior management to focus on strategic issues. • Preparation for promotion. • Improves quality and speed of decision making. Knowledge of disadvantage to KTJ of delegation (max K 1 mark) • Poor decision making possible. • Cost of ensuring employees are capable of accepting authority. • Negative impact on consistency of decision making. • May demotivate employees who do not want any further responsibility. **AO2 Application** *Limited application,* APP *applies knowledge to KTJ once. Developed applicatio*, APP APP *applies knowledge to KTJ twice. Max one* APP *for application for the first element and max on*APP *for application for the second element.* Application is making use of relevant case information not just repeating it. • KTJ has won awards for investment in employee training. • KTJ's training investment supports effective delegation. • KTJ has a flat hierarchical structure which supports use of delegation. • Using examples from the case of delegation in action: – Research into use of plastic bottles. – Junior market analyst given task of recommending an important strategic change. – US marketing manager given responsibility for devising and implementing new marketing plan.	

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Question	Answer	Marks
1	**AO2 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* Chains of reasoning highlighting likely impacts of delegation: • Delegation will give employees experience of taking responsibility and therefore prepare them for promot AN resulting in more effective senior managers in the futur L2 AN • Employees need to be equipped with the skills necessary for taking authority and therefore KTJ must invest in • training AN thus increasing costs and potentially reducing profit L2 AN • Delegation free up senior management time for strategic growth decisions resulting in more effective management of the long term growth of the busines AN • There is a risk of inconsistent decision-making across markets affecting the brand image of KTJ and thus resulting in a loss of revenue AN Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>
Analyse <u>two</u> impacts on KTJ of its commitment towards corporate social responsibility (CSR).
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis 4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
• If more than two impacts are identified reward the best two impacts.
• L2AN (3 marks) is possible for just one point made.
• All annotation (K APP AN L2) should be in the left margin.
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
2	**Responses may include** **AO1 Knowledge and understanding** Definition of CSR (max K 1 mark) • When businesses consider the interests of society by taking responsibility for the impact of their decisions and activities on stakeholders. • Benefits of CSR (max K 2 marks) • Can enhance brand image. • Increased sales. • Competitive advantage. • Greater control over prices – make demand more price inelastic. Limitations of CSR (max K 2 marks) • Cost. • Impact on cash flow. **AO2 Application** *Limited application,* APP *applies knowledge to KTJ once. Developed applicatio,* APP APP *applies knowledge to KTJ twice. Max one* APP *for application for the first method and max on* APP *for application for the second method.* Application is making use of relevant case information not just repeating it. • Research into plastic bottles to reduce environmental impact of packaging. • Using seasonal fruits in juices with no added sugar. • Purchasing fruit from local farm cooperatives. • Need to audit the farming methods of suppliers. • 'Soft' approach to managing human resources. • KTJ markets juices as premium products. • Seasonal local fruit reinforces KTJ's sustainability strategy. • Linking to mission statement	

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Question	Answer	Marks
2	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Effective CSR can enhance the branding of KTJ resulting in more loyal custome AN and therefore increase profit L2 AN • Having to change packaging of bottles will increase costs making juices more expensive AN reducing competitiveness against other rival brands leading to a reduction in sales L2 AN • Purchasing fruit from local farm cooperatives may increase costs making juices more expensive AN which will decrease profits L2 AN • KTJ will need to spend more money on auditing its activities which will increase cost AN • Commitment to sustainability can reduce price elasticity of demand and therefore enable KTJ to increase prices AN and therefore increase profi L2 AN Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(a)</td><td>Using the data in Table 1.2, calculate the payback of the country C location.

Responses may include

Payback is in the fifth year (1)

<table>
<tr><th>Year</th><th>Net cashflow ($m)</th><th>Cumulative Cashflow</th></tr>
<tr><td>0</td><td>(10)</td><td>(10)</td></tr>
<tr><td>1</td><td>0.5</td><td>(9.5)</td></tr>
<tr><td>2</td><td>1.5</td><td>(8)</td></tr>
<tr><td>3</td><td>3</td><td>(5)</td></tr>
<tr><td>4</td><td>4</td><td>(1)</td></tr>
<tr><td>5</td><td>4</td><td>3</td></tr>
</table>

Payback is 4 years 3 months OR 4.25 years (2) Units required for full marks (Years/months)
Common error
5 years 3 months (1 mark if with evidence of appropriate working e.g. attempt at cumulative cashflow)</td><td>2</td></tr>
<tr><td>3(b)</td><td>Using the data in Table 1.3, calculate the accounting rate of return (ARR) of the country D location.

Responses may include

ARR = Average profit / average investment × 100 (1)
= 2.8 / 12 × 100 = 23.3% (2)
Answer of 23.3 or $23.3 (1 mark only)
Using alternative ARR equation: 2.8 / 20 × 100 = 14% (1)</td><td>2</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>

Evaluate which location KTJ should choose for its new factory.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding 2 marks</th><th>AO2 Application 2 marks</th><th>AO3 Analysis 2 marks</th><th>AO4 Evaluation 6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks Developed application of relevant point(s) to the business context.</td><td>2 marks Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
3(c)	**Responses may include:** **AO1 Knowledge and understanding** Definition of payback / ARR / NPV (max 1 mark for definitions of any or all of these terms) Factors in the decision • Shorter payback. • Higher ARR. • Capital cost. • Revenue expenditure required. • Quality of infrastructure. • Access to labour and utilities. • Political/legal environment. • Quantitative and qualitative factors. **AO2 Application** *Limited application,* APP *applies knowledge to KTJ once. Developed applicatio*, APP APP *applies knowledge to KTJ twice.* Application is making use of relevant case information not just repeating it. Using data from Tables 1.1, 1.2 and 1.3 • Country D location is double the capital cost • Country C has quicker payback by 9 months • Country C has higher ARR by 1.7% points • Country C may have lower wages • Easier to export from Country D • Bigger potential market in Country D • Competition between farmers in country C • Economies of scale in country D farming of fruit • Mission statement regarding sustainability and ethical relationships with farmers.	

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Question	Answer	Marks
3(c)	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis or balance of argument.* • Country D is a middle-income country and therefore households will have a higher incom AN this will result in higher sales of juices L2 AN • KTJ juices are a premium product so will be relatively expensive AN so juices may be less affordable in country C • leading to lower sales L2 AN • Seaport in country D will facilitate exports of KTJ's juice resulting in higher sales AN and may therefore increase profit L2 AN • Reliable infrastructure in D could reduce delays and protect brand image resulting in higher sal AN . • Lower fixed costs in C could improve cash flow reducing risk of liquidity problems for K AN • Economies of scale in D may reduce per-unit costs and therefore increase pro AN . **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment. Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Supported judgement as to whether country C or D is better. • Factors that decision might depend on: – Ability of KTJ to raise finance for more expensive option. – Willingness to take risk – electricity supply in country C and additional capital cost in D – Fit with KTJ's CSR – small farms rather than large scale fruit production – Importance of profit. C is marginally more profitable that D. – Depends on KTJ's tolerance for operational risk versus willingness to commit higher capital expenditure – Country D offers greater stability and scalability but requires larger upfront investment – Country C better supports CSR positioning but may compromise operational reliability – A phased investment strategy could balance initial risk with future growth potential – Decision may be influenced by external factors such as currency movements, access to finance and market growth trends • Questioning whether Gudaf has the necessary experience / skill to conduct this investment appraisal. Accept all valid responses.	

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Question	Answer	Marks
4(a)	**Using the data in Table 1.4, calculate the four period centred moving average for Quarter 1 2025.** **Responses may include:** 4 period moving average = 8 period moving total / 8 (1 mark if no relevant calculation) Calculation of one **or** two **relevant** 4 period totals (1) 7 + 5.5 + 4.2 + 6.4 = 23.1 **AND/OR** 5.5 + 4.2 + 6.4 + 7.6 = 23.7 Calculation of relevant 4 period totals **and relevant** 8 period total **OR** calculation of **relevant** 8 period total (2 marks) 8 period total = 23.1 + 23.7 = 46.8 (2) Centred quarterly moving average = 46.8 / 8 (3) = 5.85 **or** $5.85m (4) Other common answers: 23.1 / 4 = 5.775 **OR** 23.7 / 4 = 5.925 (2) Not using the correct sales volume figures. 4 consecutive quarterly sales volumes added together and divided by 4 = 1 mark e.g. (6 + 7 + 5.5 + 4.2) / 4 = 22.7 / 4 = 5.675 (1)	4

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>Evaluate the usefulness of time series analysis to KTJ in making business decisions.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding 2 marks</th><th>AO2 Application 2 marks</th><th>AO3 Analysis 2 marks</th><th>AO4 Evaluation 6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks Developed application of relevant point(s) to the business context.</td><td>2 marks Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table></td><td>12</td></tr>
</table>

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Question	Answer	Marks
4(b)	**Responses may include:** **AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of TSA.* *Developed knowledge* K + K *will be demonstrated through knowledge of TSA and its usefulness.* **Examiner note:** *Do not reward comments that TSA is time consuming or calculations are complex or that workers require training.* • Sales forecasting involves making a prediction of future sales. • Time series analysis is a method of forecasting based on extrapolation from past data. (maximum of 1 mark for definition of TSA / sales forecasting) • Benefits include: – Contribution to workforce planning. – Planning purchase of resources. – Greater accuracy in cash flow forecasting. – Aids operational decisions such as need to increase capacity. – Aids decisions about pricing. – Improves forecasting accuracy – Identifies both trend and seasonal variation. • Limitations – Based on historical data – Does not account for external changes **AO2 Application** *Limited application,* APP *applies knowledge to KTJ once. Developed applicatio*APP APP *applies knowledge to KTJ twice.* Application is making use of relevant case information not just repeating it. • Q3 is peak month for sales. • Juice is not produced in the US but is imported. • Helps plan fruit imports. • The US market is very competitive. • Fluctuations in country B's exchange rate.	

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Question	Answer	Marks
4(b)	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Helps ensure efficient use of labour and machinery helping to control costs of producti AN and therefore profit. • L2 AN • Contributes to creating cash flow forecast which will help ensure that KTJ has sufficient finance in place to deal with future needs. AN • Identifying the trend in sales growth will help set realistic marketing objectives in the marketing plan thus ensuring that resources are not waste AN **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment. Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Using 4 period moving average fits the data well as there are clear seasonal variations ensuring that the technique is more likely to give reliable results. • Unexpected changes in the external environment such as entry of a new competitor will result in the predictions being incorrect and therefore less useful in making the best decisions. • TSA relies on future events behaving as in the past so may not be reliable as markets are dynamic • May be advisable to introduce an element of probability to the forecasts – what if analysis • Usefulness depends on stability of seasonal trends over time • Forecasts may be less reliable if market conditions change unexpectedly • Most effective when combined with other forecasting methods • More suitable for short-term operational planning than for long-term strategic decisions • Practical value depends on KTJ's capacity to adjust production and procurement in response to forecasts Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>
Evaluate the likely impact on KTJ of fluctuations in the exchange rate of country B’s currency.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding 2 marks</th><th>AO2 Application 2 marks</th><th>AO3 Analysis 2 marks</th><th>AO4 Evaluation 6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
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No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
</td><td>12</td></tr>
</table>

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Question	Answer	Marks
5	**Responses may include:** **AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of exchange rate or knowledge of how it impacts KTJ* *Developed knowledge* K + K *will be demonstrated through knowledge of exchange rate and knowledge of how it impacts KTJ* Exchange rate – price of one currency in terms of another. Explanation of fluctuation in exchange rate • depreciation – a decrease in the price of a currency in terms of another OR • appreciation – an increase in the price of a currency in terms of another Knowledge of impact of ER fluctuations • Fluctuations in the exchange increases uncertainty making decision making more difficult for KTJ Impact of depreciation • Beneficial for exporting • Imports more expensive • Imported goods in country B may be less price competitive following depreciation **AO2 Application** *Limited application,* APP *applies knowledge to KTJ once. Developed applicatio*, APP APP *applies knowledge to KTJ twice.* Application is making use of relevant case information not just repeating it. Use of case material to answer question • KTJ exports to US and other countries. • Link to achievement of mission statement. • KTJ imports fruits from West Africa. • Investment in country C or D. • Depreciation makes exports cheaper to US, increasing competitiveness. • Importing fruit becomes more expensive. • Margin squeeze despite higher export volume. • Impact on ARR for C/D investment. • Movements influence pricing strategy and profitability.	

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Question	Answer	Marks
5	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis or balanced argument.* • Depreciation will reduce the price of KTJ juices in international markets such as the US resulting in greater price competitiveness AN and this will increase sales and market share of KT L2 AN • The cost of investing in country C or D will increase which will reduce the ARR of the investme AN and may result • in a delay to opening a new factory L2 AN • As KTJ imports fruit from West Africa its price will increase and therefore KTJ's variable costs will increa AN resulting in a reduction in profi L2 AN **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment. Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Supported judgement as to overall impact of depreciation on KTJ. – KTJ likely to benefit as although imported fruit costs rise this is only a part of KTJ's costs of production so • should still be more price competitive when KTJ exports the final product. – Inflationary impact of depreciation on the economy as a whole – Net impact depends on the balance between export revenue gains and import cost increases – Short-term depreciation may be beneficial but long-term volatility complicates planning • Factors that the impact might depend on: – Extent to which customers are impacted by changes in price – PED • Whether the depreciation is long term • Effects may be mitigated if exports are invoiced in foreign currency or supply sources can be diversified • Hedging strategies can reduce risk from currency volatility • Pricing power in export markets affects KTJ's ability to pass on cost changes	

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Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/33**

Paper 3 Business Decision-Making **October/November 2025**

INSERT **1 hour 45 minutes**

2230520059-I

INFORMATION

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

alpha

DC (EV/SG) 348723/3
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[Turn over

2

Lithium Battery Metals (LBM)

Lithium is an essential raw material used in batteries for electric vehicles, smart phones and other products. LBM has developed techniques to detect lithium using mapping technology. LBM sells its survey results to other mining companies. LBM's annual revenue is less than $1 million and it is losing $2–3 million per year. LBM is planning to start its own lithium mining operations in country G, where it is based.

LBM has researched and developed two effective ways of mining lithium. The first is hot water mining and the second is hard rock mining. LBM became a public limited company one year ago. LBM has substantial finance obtained from grants, shareholders and crowdfunding available for investment. LBM's revenue is forecast to rise rapidly once mining begins.

Sales forecasting

Annual global demand for lithium is rising considerably and forecasts show world supply will not meet demand after 2030. As LBM establishes its own mining operations it will need to forecast sales. There are likely to be variations in demand for electric vehicles and smart phones over time. It is difficult to vary the output from lithium mines at very short notice. Holding inventory of this raw material involves high costs. Alternatives to lithium are being developed.

Concerns of government

LBM is the only business in country G planning to mine lithium. The government is very concerned that:

- demand from industry for lithium in country G will not be met in the long-term
- LBM is currently unprofitable
- LBM may be a target for a hostile takeover from a multinational business.

The government is therefore considering nationalising LBM.

Hot water lithium mining

Despite local opposition, LBM plans to open its first mine in four months' time. Hot water from three kilometres underground will be pumped up to a factory where lithium and possibly other rare raw materials will be extracted from the water. After the extraction process the hot water can then be used for heating local housing. The Operations Director, Astor, estimates the project has a 15-year life span. However, future cash flows beyond six years become increasingly uncertain.

Table 1.1 shows the data used by LBM in the decision to go ahead with the hot water mine. The data excludes costs and revenues from extracting other raw materials that may be found in the water. LBM has enough finance for the hot water mine if there are no adverse variances to the budget.

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Table 1.1: Investment appraisal for hot water lithium mining

Year	Cash outflow ($m)	Cash inflow ($m)	Net cash flow ($m)	Discounted net cash flow at 8% ($m)
0	(200)	0	(200)	(200.00)
1	(120)	0	(120)	(111.11)
2	(80)	120	40	34.29
3	(80)	160	80	63.51
4	(80)	170	90	66.15
5	(80)	180	100	68.06
6	(80)	200	120	75.62
7-15	uncertain	uncertain	uncertain	uncertain

Human resource management (HRM) and the hot water mine

LBM uses a 'soft' HRM approach for its current 35 graduate employees. They are given delegated powers and decide their own work patterns individually or in self-selected teams. Many of these graduates are involved in using the mapping technology to find new mines and developing mining techniques.

LBM has started recruiting 150 people to be employed at the hot water mine site. Ten new employees will be technology specialists who will closely supervise the work. The other new employees will be trained to operate machinery. The directors plan to use a 'hard' HRM approach for these machine operators.

Hard rock lithium mining

LBM is also planning to open a hard rock lithium mine in two years' time. Lithium is found inside hard rock layers underground. LBM plans to drill into these, bringing rock to the surface to be treated to extract lithium. Astor has identified a suitable area 500 metres underground. Table 1.2 and Figure 1.1 show the results of some of his operations planning. The data was obtained from mining industry sources, suppliers of drilling equipment and the LBM Research and Development (R & D) team.

4

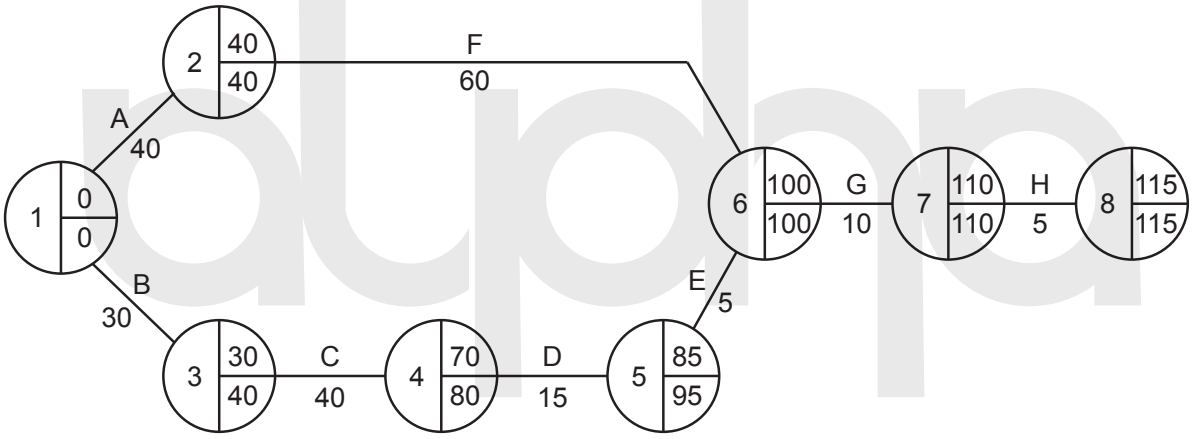
Table 1.2: Hard rock lithium mining project activities used in Critical Path Analysis (CPA)

Activity	Activity
A	Obtain planning permission
B	Design drilling machinery
C	Obtain drilling machinery
D	Install drilling machinery
E	Test drill exercise
F	Build lithium extraction factory
G	Test quality of lithium
H	Review the project

65

70

Figure 1.1: Network for hard rock lithium mining project (durations in weeks)



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Cambridge Assessment International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

2230520059

BUSINESS **9609/33**

Paper 3 Business Decision-Making **October/November 2025**

1 hour 45 minutes

You must answer on the question paper.

You will need: Insert (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use an HB pencil for any diagrams, graphs or rough working.

INFORMATION

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

This document has **12** pages. Any blank pages are indicated.

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[Turn over

1 Analyse **two** advantages to the government of country G that could result from the nationalisation of LBM.

..... [8]

2 Analyse **one** benefit and **one** limitation of sales forecasting to LBM as it begins its mining operations.

..... [8]

3 **(a)** Using the data in Table 1.1, calculate the payback period.

..... [2]

(b) Using the data in Table 1.1, calculate the net present value (NPV) over six years discounted at 8%.

..... [2]

(c) Evaluate LBM's decision to go ahead with the hot water mine.

..... [12]

4 **(a)** Using Figure 1.1:

(i) calculate the total float for activity C

..... [3]

(ii) identify the minimum project duration.

..... [1]

(b) Evaluate the importance of Critical Path Analysis (CPA) to the success of the hard rock mine

..... [12]

5 Evaluate LBM's decision to use two different approaches to HRM.

..... [12]

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CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/33**

Paper 3 Case Study **October/November 2025**

MARK SCHEME

Maximum Mark: 60

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 October/November 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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[Turn over

PUBLISHED

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 descriptions 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.

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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.

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Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	For objective points that are correct.
	For objective points that are wrong.
TV	When the candidate has attempted something, but the mark/skill has not been awarded as the answer is not sufficiently clear.
Highlighter	To highlight a point or section of an answer that justifies the mark/annotation.
BOD	When the candidate has attempted something, and the mark/skill has been awarded.
SEEN	To show a page/section has been seen/read.
REP	The repetition of a previous point in a response **or** the candidate is copying the case study/data.
OFR	The own figure rule applies – acts as a mark/tick.
K	When AO1 has been awarded. The number of Ks should match the mark awarded.

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Annotation	Meaning
APP	When AO2 has been awarded. The number of APPs should match the mark awarded.
AN	When AO3 at Level 1 has been awarded.
L2 AN	When AO3 at Level 2 has been awarded.
EVAL	When AO4 at Level 1 has been awarded.
L2 EVAL	When AO4 at Level 2 has been awarded.
L2	When AO3 or AO4 has been awarded at Level 2.
L3	When AO4 has been awarded at Level 3.

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Guidance on using levels-based marking
Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The examiner should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:
- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range.
- If the candidate's work **just** meets the level statement, award the lowest mark.
- L1, L2 etc. must be clearly annotated on the response at the point where the level is achieved.

Assessment objectives

AO1 Knowledge and understanding
Demonstrate knowledge and understanding of business concepts, terms and theories.

AO2 Application
Apply knowledge and understanding of business concepts, terms and theories to problems and issues in a variety of familiar and unfamiliar business situations and contexts.

AO3 Analysis
Analyse business problems, issues and situations by:
- using appropriate methods and techniques to make sense of qualitative and quantitative business information
- searching for causes, impact and consequences
- distinguishing between factual evidence and opinion or value judgement
- drawing valid inferences and making valid generalisations.

AO4 Evaluation
Evaluate evidence in order to make reasoned judgements, present substantiated conclusions and, where appropriate, make recommendations for action and implementation.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>
Analyse <u>two</u> advantages to the government of country G that could result from the nationalisation of LBM.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
Note
• Only reward advantages
• If more than two advantages are referred to, reward the best two.
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
1	Responses may include: **AO1 Knowledge and understanding** Definition or explanation of nationalisation: ownership of a business is transferred from private to public (Max K1). Possible advantages include: • Government control over the development of a scarce resource. • Funding for research and production can be guaranteed. • Profits paid to the government not to shareholders. • Enables lithium production in country G even if this is marginally profitable or loss making. • Minimises possibility of foreign takeover. • Restricts monopoly power to charge high prices. • Can ensure that the business acts in the public interest e.g. reducing externalities **AO2 Application** *Limited application,* APP *applies knowledge to LBM once.* *Developed application,* APP - APP *applies knowledge to LBM twice.* *Max one* APP *for application for the first advantage and max or* APP *for application for the second advantage.* • LBM is the only business in country G planning to mine lithium. • Government concern that demand from industry for lithium in country G will not be met in the long-term. • Prevent a hostile takeover from a multinational business. • LBM is currently unprofitable, but revenue is forecast to rise rapidly. • Possibility of future price rises/profits as demand to supply ratio increases. • Pollution from production of lithium • Lithium is an essential raw material used in batteries for electric vehicles, smartphones and other products.	

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Question	Answer	Marks
1	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • By controlling the only source of lithium in Country G, the government can ensure that local industry demand is met, preventing supply bottlenecks AN and supporting key economic sectors like electric vehicles thus promoting economic growth L2 AN . • Nationalisation prevents a hostile takeover by a multinational business, ensuring future forecast rapidly rising revenue remains within the country AN , which can then be used by the government to fund public services or infrastructure L2 AN . • The government can absorb the initial losses of the currently unprofitable LBM to secure control over a crucial long-term resource, mitigating uncertainty regarding private sector commitment AN and therefore encouraging investment in manufacturing in country G L2 AN . • Government control means control of supply to battery producers, maximising country G production capability AN and therefore reducing reliance on foreign import L2 AN . • Profits to the government likely to be higher source of income than tax receipts from profits to shareholders and will therefore support government spending on its objective AN . Accept all valid responses Exemplar answer demonstrating skills: The government is currently very concerned that demand from industry in Country G for lithium will not be met in the long-term. By nationalising LBM, the government can dictate production priorities, ensuring that adequate supply is maintained domestically, thereby preventing supply bottlenecks and supporting key economic sectors that rely on this raw material. This ultimately safeguards long-term industrial and economic stability within Country G. Although LBM is currently unprofitable, losing $2–3 million per year, its revenue is forecast to rise rapidly once mining begins. By nationalising the business, the government ensures that this potentially high future revenue is retained within the country's public finances. This retained profit can then be directed towards public services, infrastructure development, or subsidising local industries, rather than flowing out of Country G to a foreign multinational	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>
Analyse <u>one</u> benefit and <u>one</u> limitation of sales forecasting to LBM as it begins its mining operations.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
Note
• Only reward benefits or limitations
• If more than one benefit or limitation is referred to, reward the best.
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
2	Responses may include: **AO1 Knowledge and understanding** • Sales forecasting involves making a prediction of future sales volumes or revenues. • Time series analysis is a method of forecasting based on extrapolation from past data. (maximum of 1 mark for definition of TSA / sales forecasting) • Benefits include (max K 1 mark): – Contribution to workforce planning. – Planning purchase of resources. – Greater accuracy in cash flow forecasting. – Aids operational decisions. – Aids decisions about pricing. – Identifies both trend and seasonal variation. • Limitations (max K 1 mark) – Lack of historical data to use quantitative technique – Uncertainty regarding external influences **AO2 Application** *Limited application,* APP *applies knowledge to LBM once.* *Developed application,* APP - APP *applies knowledge to LBM twice.* *Max one* APP *for application to a benefit and max on*e APP *for application to a limitation.* Application is making use of relevant case information not just repeating it. • LBM is just beginning its mining operations. • Output is difficult to vary at very short notice. • Holding inventory of lithium involves high costs. • Variations in demand for electric vehicles and smartphones exist. • Alternatives to lithium are being developed. • New hard rock mining under development. • Global demand for lithium is rising and supply will not meet demand after 2030.	

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Question	Answer	Marks
2	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* Benefits • Accurate sales forecasts are crucial because output from lithium mines is difficult to vary at short notic AN thus allowing LBM to plan production capacity in advance to ensure sufficient lithium is available to meet forecast rapidly rising demand. • Sales forecasts important in planning resource needs and therefore keeping costs low AN which will increase efficiency and therefore profit Limitations • Accuracy and reliability depend on market conditions remaining the same – this is possibly not likely in the lithium market due to variation s in demand for products containing batterie AN resulting in failure to capitalise on market growth L2 AN . • Accuracy and reliability are higher in the near future so longer term forecasts are less reliable reducing the usefulness of forecasting to planning AN . • SF relies on historical data/trends but the future of lithium demand is uncertain due to variations in demand for electric vehicles and smartphones and the development of alternatives; this lack of reliability means LBM may miscalculate production AN , leading to high inventory holding cost L2 AN or. Accept all valid responses Exemplar answer By anticipating future sales levels, LBM can use SF to plan resource needs effectively, ensuring the efficient scheduling of machinery and labour well in advance of peak demand. This forward planning helps minimise operational waste and controls production costs, which is vital given LBM is currently losing money and needs to move towards profitability quickly. A key limitation is that sales forecasting, particularly methods based on extrapolation from past data, relies on the assumption that future conditions will resemble the past. This is unreliable for LBM because the lithium market faces significant external volatility. There are likely to be variations in demand for electric vehicles and smart phones over time, and, crucially, alternatives to lithium are being developed. These factors are difficult to integrate into simple historical trend analysis, meaning LBM's forecasts might be inaccurate. If the forecasts are too optimistic, LBM could face high inventory holding costs for this raw material, which are specifically noted as 'high costs', potentially worsening LBM's current financial losses	

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Question	Answer	Marks
3(a)	**Using the data in Table 1.1, calculate the payback period.** Payback period is time taken to recover the initial investment. **OR** Initial investment = $320m. **OR** Payback in sixth year (1 mark) (no of months = 10/120 * 12 = 1 month) Payback period is 5 years 1 month **OR** 5.08 years (2 marks)	**2**
3(b)	**Using the data in Table 1.1, calculate the net present value (NPV) over six years discounted at 8%.** NPV is the value today of future cash flows net of the original cost of investment. **OR** Total discounted net cash flows = $307.63m **OR** Discounted capital cost = $311.11m (1 mark) NPV = 307.63 – 311.11 = ($3.48m) (2 marks) Accept 3.5	**2**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>
Evaluate LBM’s decision to go ahead with the hot water test mine.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
</td><td>12</td></tr>
</table>

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Question	Answer	Marks
3(c)	Responses may include: **AO1 Knowledge and understanding** • Understanding of the use of investment appraisal – payback period, NPV including advantages (quantitative, based on data, NPV factors in time value,) and disadvantages (predictions may be inaccurate as circumstances change, false sense of accuracy, providers of data may be biased and provide misleading data). • Qualitative factors in investment decisions include: • Attitude to risk. • Impact on stakeholders e.g. environmental/social considerations, future economic changes. • How well the project fits the business objectives. **AO2 Application** *Limited application,* APP *applies knowledge to LBM once.* *Developed application,* APP - APP *applies knowledge to LBM twice.* Application is making use of relevant case information not just repeating it. • Quantitative results (Payback 5 years 1 month; NPV –$3.48m over 6 years). • Project life span is 15 years, but cash flows are only appraised for 6 years. • LBM has strict finance limitations (no adverse variances allowed). • The project has local opposition. • The hot water extraction process allows water to be used for heating local housing. • LBM is currently losing $2–3 million per year. • Estimated 15 year life span. • Uncertain forecasting beyond six years. • Non-inclusion of data relating to possible extraction of other metals. • Objective of LBM is to produce lithium. • Decreasing supply/demand gap (after 2030 demand>supply). • LBM only producer in country G. • Test mine is the first project, next is hard rock mining. • Government concerned to get lithium production in country G, • LBM has the finance.	

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Question	Answer	Marks
3(c)	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • The negative NPV (-$3.48m) over six years suggests the project does not cover its costs of capital and should be rejected AN, thus ensuring LBM does not deepen its existing losse L2 AN . • The project lifespan is 15 years, and the uncounted positive cash flows in Years 7–15, coupled with rapidly rising global demand for lithium, could lead to a highly positive overall NP AN , significantly increasing future reven L2 AN . • If LBM experiences adverse variances, they may run out of finance, leading to project failure AN and a loss of the large initial investment ($200m + $120m) L2 AN . • The dual benefit of extraction and heating local housing may satisfy social objectives and reduce local oppositio AN , thereby lowering the risk of delays L2 AN . • Learning from this project will enhance performance in future projects, therefore increasing the likely success of the hard rock mining project AN • The price of lithium is likely to continue to rise resulting in higher revenues in years 7– AN . • Other producers may appear causing lower lithium prices and therefore reduce forecast net cash flo AN . • If other metals can be recovered the revenue figures may be higher than foreca AN . **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in contex* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Supported judgement as to whether LBM should proceed. • Quantitative investment appraisal indicates the decision is unwise as NPV is negative but likely positive ARR, and NPV very close to zero mean qualitative factors may be more important. • Factors that decision might depend on: – Reliability of the estimated cash flows for the remaining 9 years; – LBM's willingness to accept high financial and operational risk (local opposition, tight budget); – the importance of social benefits (heating local housing) versus financial return. – Accuracy of the discount factor and forecast cash flow. In the changing lithium market the indicators are that they are possibly neither, but the most likely possibility is that revenues will be higher than forecast.	

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Question	Answer	Marks
3(c)	• the risk appears to be low and the finance is available. • If LBM does not go ahead, it is likely to go out of business due to increasing losses. • The decision is highly subjective due to **high uncertainty** beyond Year 6. Given that LBM is currently unprofitable and operates with tight funding, the negative NPV indicates high risk. However, strategically, LBM must establish mining operations to leverage the rapid revenue forecast. • The project should probably be delayed or redesigned until LBM can secure sufficient finance to absorb potential adverse variances and until a more reliable long-term forecast can demonstrate a clearly positive NPV over the full 15 years Accept all valid responses Exemplar L3 Evaluation The decision hinges on LBM's risk tolerance and belief in the long-term forecast. While the negative NPV over the appraised period suggests that rejecting the project would be financially prudent for a company currently operating at a loss, strategically, LBM must establish mining operations to survive and capture future revenue. However, the decision is contingent on securing a buffer of finance to tolerate adverse variances. Given the extremely tight financial limitations, LBM should consider conducting a sensitivity analysis on the cash flows for years 7–15 to demonstrate that the strategic gain outweighs the immediate financial risk. If LBM cannot demonstrate a substantial expected NPV over the full 15 years, or if the tight budget cannot be loosened, the project should be delayed until funding is more secure to protect the business from insolvency.	

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Question	Answer	Marks
4(a)(i)	**Using Figure 1.1: calculate the total float for activity C** Total float is the maximum time an activity can be delayed without delaying the whole project time or LFT – duration – EST **OR** LST – EST (1 mark) Total float = 80 – 40 – 30. (2 marks) = 10 weeks (3 marks) No need for weeks	**3**
4(a)(ii)	**identify the minimum project duration.** Sum durations of critical path: 40 + 60 + 10 + 5 = 115 weeks (1 mark) No need for weeks	**1**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

Evaluate the importance of Critical Path Analysis (CPA) to the success of the hard rock mine.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
4(b)	Responses may include: **AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of CPA.* *Developed knowledge* K + K *will be demonstrated through knowledge of CPA and its usefulness.* • Knowledge of CPA: network, EST, LFT, floats, nodes, minimum duration, critical path. • Benefits of CPA: calculation of project duration – knowing when activities should start – knowing latest finish times – knowing critical path – knowing floats. • Limitations of CPA: – analysis only as good as the data. – new projects may not have past experience as a guide – planning costs. – does not ensure effective management. • Knowledge of other factors: availability of finance, materials and equipment. • Investment appraisal methods also needed to assess financial criteria for success. • Business objectives matching project aims. **AO2 Application** *Limited application,* APP *applies knowledge to LBM once.* *Developed application,* APP - APP *applies knowledge to LBM twice.* Application is making use of relevant case information not just repeating it. • Hard rock mine follows the hot water mine, which will be nearing completion of building and about to start production. • need to buy equipment for drilling and factory. • data for CPA from partners, suppliers and R and D. • Minimum project duration is just over two years. • CPA relates to the complex sequence of activities (A to H) involved in establishing the hard rock mine. • The planned start of the mine is in two years' time (104 weeks), but the calculated duration is 115 weeks. • CPA uses data obtained from mining industry sources and the LBM Research and Development (R&D) team. • Lithium is found 500 metres underground. • Activity C (Obtain drilling machinery) has 15 weeks of float.	

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Question	Answer	Marks
4(b)	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • CPA identifies the critical activities (A-H route through nodes 1–2-4–5–7–8, for example) which, if delayed, will delay the whole project duration. This allows LBM, a new mining operator, to focus its limited resources and management supervision on these tasks AN , thereby preventing cost overrur L2 AN . • CPA reveals that the current duration (115 weeks) already exceeds the planned start time (2 years/104 weeks). This forces LBM to find ways to shorten the duration to meet the original targ AN , maximising early revenue generation L2 AN . • The calculation of float (e.g., 15 weeks for activity C) enables Astor to reallocate resources away from non-critical tasks to critical ones AN , helping to reduce the overall project duration and improving efficien L2 AN . • As this is the first mining activity for LBM there is no past experience to rely on therefore the data may be inaccurate AN **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in contex* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Supported judgement as to the importance of CPA. • CPA is highly important for the success of the hard rock mine because the project is complex and already forecasted to be delayed (115 weeks vs 104 weeks goal). CPA provides the necessary planning and monitoring framework to potentially shorten this delay and secure timely revenue. • Factors that the impact might depend on: – CPA relies entirely on the accuracy of time estimates provided by the R&D team and suppliers. If these estimates are inaccurate (e.g., optimistic), the critical path may be wrong, leading LBM to misallocate resources and still fail to achieve the minimum duration. • CPA must be continuously monitored and updated as the project progresses to account for unexpected operational difficulties (e.g., drilling 500m underground). • Project success also depends on availability of finance, equipment and appropriate employees. Without them the project is less or not likely to succeed.	

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Question	Answer	Marks
4(b)	Accept all valid responses Exemplar L3 Evaluation The benefit of CPA is limited by its reliance on assumptions. CPA's success depends entirely on the accuracy of the time estimates for activities like D (Install drilling machinery) and E (Test drill exercise), which were obtained from mining industry sources and the LBM Research and Development (R&D) team. Since LBM is a new operator in Country G, and the scale of this project (drilling 500 m) is complex, these estimates may be overly optimistic or inaccurate. If the critical path calculation is flawed, LBM might misallocate resources, potentially causing unnecessary delays in the 115-week plan or wasting scarce finance.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>

Evaluate LBMs decision to use two different approaches to HRM.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
5	Responses may include: **AO1 Knowledge and understanding** • Understanding of 'hard HRM: – viewing employees as a inputs for the business, close monitoring, and control, training to improve business performance, little delegation of decision making. – leadership style likely to be autocratic – power for leader comes from rewards, position or coercion. – little space for emotional intelligence. – One-way formal communication (top down) • Understanding of 'soft' HRM: employees are individuals, to be developed, e.g. by appraisal and training, consultation and delegated decision making. – leadership style likely to be democratic or laissez-faire. – leader likely to use contingency leadership – power for leader comes from expertise, information or charisma. – transformational leadership possible. – emotional intelligence employed. – Two-way communication, possibly informal. **AO2 Application** *Limited application,* APP *applies knowledge to LBM once.* *Developed application,* APP - APP *applies knowledge to LBM twice.* Application is making use of relevant case information not just repeating it. • Soft HRM is used for the **35 graduate employees**. • These graduates have delegated powers and decide their own work patterns (autonomy). • Graduates are involved in R&D, mapping technology, and developing techniques. • Hard HRM is used for the **150 new machine operators** at the hot water mine. • These new employees are closely supervised by ten technology specialists.	

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Question	Answer	Marks
5	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • changing HRM approaches takes time and cost to plan details. • Using Soft HRM for graduates increases their motivation and creativity, which is crucial for maximizing the efficiency of mapping technology and generating innovative mining techniques AN , thereby increasing LBM's competitiveness L2 AN . • Small number of graduate employees should be easy to manage and soft approach will reuce need for middle management AN therefore reducing costs L2 AN . • Hard HRM focuses on tight control and efficiency for the 150 machine operators. This approach ensures standardisation and low labour costs, AN which is important for LBM, as it is currently an unprofitable company L2 AN . • The stark difference in treatment (delegation vs. close supervision) risks creating resentment and conflict between the two groups, potentially leading to poor morale AN and resistance among the machine operators, threatening operational stability L2 AN . • Production requires clearly defined tasks so more control/autocracy can be more efficie AN . • Very tight time scale for hard rock project means HRM changes must be well planne AN **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in contex* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Supported judgement as to the likely effectiveness of the approach. • The decision to use dual approaches is largely appropriate because the nature of the jobs is vastly different (creative R&D vs. standardised machine operation). The soft approach is essential for knowledge workers (graduates) to foster innovation, while the hard approach is effective for large groups performing repetitive tasks in a controlled industrial environment like a mine.	

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Question	Answer	Marks
5	• Factors that the impact might depend on: – The degree of separation between the two employee groups; – LBM's ability to minimise perceived unfairness; – the specific skills required by the machine operators (if tasks are complex, hard HRM may lead to high error rates and reduced quality). – Can LBM afford to change? In time for recruiting and starting production? • The decision is strategically sound but requires careful management. LBM must ensure communication and compensation systems do not exacerbate the cultural divide, or the benefits of high R&D output might be negated by industrial relations problems at the mine site. Accept all valid responses Exemplar L3 Evaluation The decision to use two different approaches is strategically sound and appropriate because it matches the HRM approach to the specific needs of each job role (innovation for R&D vs. control for operations). LBM's dual HRM strategy is necessary for functional efficiency but dangerous for internal culture. The success of this decision is conditional upon management (led by Astor) successfully mitigating the risk of conflict. LBM must invest in transparent communication explaining why the roles are managed differently and ensure that the machine operators feel valued through factors other than autonomy, such as fair compensation or training opportunities, to prevent internal dissatisfaction from undermining the profitability of the new mine	

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CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/32**

Paper 3 Business Decision-Making **February/March 2026**

INSERT **1 hour 45 minutes**

9214331178-1

INFORMATION

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

alpha

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2

Pavni's Pottery (PP)

In 2021, Pavni was made redundant from her job as a production supervisor for a large pottery business. She then decided to open PP as a private limited company in country W.

PP produces and sells handmade gift items made of clay and processed in a kiln. A kiln is a high-temperature oven which turns clay into pottery. PP started with a small range of products including cups, bowls and plates but has since increased its product range to include tea light holders, fridge magnets and small plant pots. The new range of tea light holders has been PP's most successful product to date.

Pavni has carried out some research into the gift market in country W and has identified forecasts for continued growth. Forecasts indicate that the gift market could grow to $540 million by 2029. The pottery gift segment of this market is 3% and this segment is very competitive.

Marketing

Pavni sells 75% of her products through three retail outlets business to business (B2B). These retailers place orders with PP quarterly and PP has a 2-month lead time from receiving the order to goods being ready for delivery.

PP has a website for consumers to order direct. Products are delivered to consumers within one week. PP has started to gain brand recognition from repeat consumers. Pavni would like the business to consumer sales (B2C) to grow.

Pavni has employed a university graduate, Fiza, on a full-time contract. Fiza has a marketing degree and is going to manage PP's social media accounts. The marketing role will involve two tasks:

- making regular posts on all the main social media platforms
- developing artificial intelligence (AI) for use in customer service.

Financial data

Pavni is anticipating B2C sales will increase to more than 50% of PP's output once its social media marketing is established. She is uncertain of the impact this will have on PP's financial efficiency.

Table 1.1 shows PP's historical financial efficiency data. Table 1.2 shows data relating to PP's financial efficiency for 2025.

Table 1.1 PP's historical financial efficiency data

year	trade payables turnover	trade receivables turnover	rate of inventory turnover
2023	8 days	12 days	33 times
2024	8 days	14 days	30 times

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Table 1.2 Data relating to PP's financial efficiency for 2025

	($)
credit sales	42000
average inventory	800
credit purchases	19275
cost of sales	19630
trade receivables	2325
trade payables	450

Human Resources and Business Growth

PP employs two potters. Both are experienced in pottery design and manufacture. They are encouraged to research and develop their own ideas. Pavni allows both employees paid time to research and develop their own ideas. She then evaluates their designs and decides whether to produce the suggested new products.

Pavni encourages intrapreneurship by having a flat organisational structure and using delegation. Pavni believes this business approach will help PP's growth.

Consumers are increasingly ordering from social media platforms. For PP to respond to market development, the business is developing its social media marketing.

PP's supplier

Country W only has one supplier of clay. PP uses this supplier. The supplier offers 30 days payment terms with a 5% discount if PP pays within 20 days. The supplier imports clay from China and so it has limited control over the quality or cost.

Investment appraisal

PP will need to increase production capacity to meet the forecast demand from online orders. In order to grow the business, Pavni has decided to invest in a new, larger kiln. The new kiln will allow more items to be manufactured at the same time and will decrease the number of faulty products.

Pavni is considering two options for the new kiln. Table 1.3 shows the investment appraisal information.

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Table 1.3 Investment appraisal information for the two different kiln options

year	kiln option A ($)	kiln option B ($)
0	(80 000)	(100 000)
1	30 000	40 000
2	20 000	32 000
3	20 000	28 000
4	20 000	5 000
5	23 000	4 000
residual value	0	0
payback	3 years 6 months	3 years 0 months
ARR	**see Q4(a)**	3.6%
energy source	electricity	gas
cost of energy	low	high
pollution levels	low	high
rate of faulty products	5%	1%
support	1-year technical support included	3-year technical support included

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CAMBRIDGE
International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

3211433117178

BUSINESS **9609/32**

Paper 3 Business Decision-Making **February/March 2026**

1 hour 45 minutes

You must answer on the question paper.

You will need: Insert (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen. Do **not** use correction fluid or tape.
- Do **not** write on any bar codes.
- You may use an HB pencil for any diagrams, graphs or rough working.

INFORMATION

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

This document has **12** pages. Any blank pages are indicated.

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[Turn over

Answer **all** questions.

1 Analyse **two** impacts of suppliers on PP's decisions.

..... [8]

2 Analyse **one** advantage and **one** disadvantage to PP of the changing role of Information Technology (IT) in its marketing.

..... [8]

3 **(a)** Using the data in Table 1.2, calculate PP's trade receivables turnover for 2025.

..... [2]

(b) Using the data in Table 1.2, calculate PP's rate of inventory turnover for 2025.

..... [2]

(c) Evaluate the importance of financial efficiency to PP's growth.

..... [12]

4 **(a)** Using the data in Table 1.3, calculate the accounting rate of return (ARR) for kiln option A.

..... [4]

(b) Evaluate the most suitable option for Pavni to choose for the new kiln investment.

..... [12]

5 Evaluate the impact of delegation on the success of PP's intrapreneurship.

..... [12]

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CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/32**

Paper 3 Business Decision-Making **February/March 2026**

MARK SCHEME

Maximum Mark: 60

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 February/March 2026 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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PUBLISHED

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 descriptions 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.

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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.

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Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	For objective points that are correct.
	For objective points that are wrong.
TV	When the candidate has attempted something, but the mark/skill has not been awarded as the answer is not sufficiently clear.
Highlighter	To highlight a point or section of an answer that justifies the mark/annotation.
BOD	When the candidate has attempted something, and the mark/skill has been awarded.
SEEN	To show a page/section has been seen/read.
REP	The repetition of a previous point in a response **or** the candidate is copying the case study/data.
OFR	The own figure rule applies – acts as a mark/tick.
K	When AO1 has been awarded. The number of Ks should match the mark awarded.

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Annotation	Meaning
APP	When AO2 has been awarded. The number of APPs should match the mark awarded.
AN	When AO3 at Level 1 has been awarded.
L2 AN	When AO3 at Level 2 has been awarded.
EVAL	When AO4 at Level 1 has been awarded.
L2 EVAL	When AO4 at Level 2 has been awarded.
L2	When AO3 or AO4 has been awarded at Level 2.
L3	When AO4 has been awarded at Level 3.

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PREPARATION FOR MARKING

1 Make sure that you have completed the relevant training and have access to the *RM Assessor Guide*.
2 Make sure that you have read and understand the question paper, which you can download from https://support.rm.com/ca
3 Log in to RM Assessor then mark and submit the required number of practice and standardisation scripts. You will need to mark the standardisation scripts to the required accuracy in order to be approved for marking live scripts. You may be asked to re-mark them, or to mark a second sample, if you do not meet the required accuracy on your first attempt.

MARKING PROCESS

1 Mark strictly to the FINAL mark scheme, applying the criteria consistently and the general marking principles outlined on the previous page.
2 If you are in doubt about applying the mark scheme, consult your Team Leader.
3 Mark at a steady rate through the marking period. Do not rush, and do not leave too much until the end. If you anticipate a problem in meeting the deadline, contact your Team Leader immediately and the Examiners' Helpdesk.
4 Examiners will prepare a brief report on the performance of candidates to send to their Team Leader via email by the end of the marking period. The Examiner should note strengths seen in answers and common errors or weaknesses. Constructive comments on the question paper, mark scheme or procedures are also appreciated.

MARKING SPECIFICS

Crossed out work

1 **All a candidate's answers, *crossed out* or not, *optional* or not, must be marked.**
2 The only response not to be marked is one that has been crossed out and replaced by another response for that exact same question.
3 Consequently, if a candidate has crossed out their response to an optional question and gone on to answer a different optional question then both attempts must be marked. The higher mark will be awarded by the system according to the rubric.

0 (zero) marks or NR (no response)

1 Award **NR** if there is nothing at all written in answer to that question (often the case for optional questions).
2 Award **NR** if there is a comment which is not an attempt at the question (e.g. 'can't do it' or 'don't know' etc.)
3 Award **NR** if there is a symbol which is not an attempt at the question, such as a dash or question mark.
4 Award **0** (zero) if there is any attempt at the question which does not score marks. This includes question onto an Answer Booklet.

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Guidance on using levels-based marking

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The examiner should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:

- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range.
- If the candidate's work **just** meets the level statement, award the lowest mark.
- L1, L2 etc. must be clearly annotated on the response at the point where the level is achieved.

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Assessment objectives

AO1 Knowledge and understanding
Demonstrate knowledge and understanding of business concepts, terms and theories.

AO2 Application
Apply knowledge and understanding of business concepts, terms and theories to problems and issues in a variety of familiar and unfamiliar business situations and contexts.

AO3 Analysis
Analyse business problems, issues and situations by:
- using appropriate methods and techniques to make sense of qualitative and quantitative business information
- searching for causes, impact and consequences
- distinguishing between factual evidence and opinion or value judgement
- drawing valid inferences and making valid generalisations.

AO4 Evaluation
Evaluate evidence in order to make reasoned judgements, present substantiated conclusions and, where appropriate, make recommendations for action and implementation.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>
Analyse <u>two</u> impacts of suppliers on PP's decisions.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
Note:
• If more than two impacts are referred to, reward the best two.
• L2AN (3 marks) is possible for just one point made.
• For L2AN there must be link to decision.
All annotation (K APP AN L2) should be in the left margin.
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
1	Responses may include: **AO1 Knowledge and understanding** A supplier is a business that provides goods or services to PP. (K1) Knowledge of impacts suppliers can have on PP (Max K2 marks) • Cost of Production – change in price of raw material. • Quality of Inputs – change in quality of raw material. • Reliability/delivery – ability to deliver on time. • Flexibility and Responsiveness – ability to meet changes in orders. • Credit Terms and Payment Conditions. • Innovation and Competitive Advantage – new or better materials • Ethical and Environmental Considerations – impact of unethical labour practices or pollution. • Supply Chain Risks from external shocks EG: tariffs or wars. • Knowledge of decisions • Increase / decrease price of products. • Time taken to pay suppliers. • Keeping buffer inventory • Looking for new suppliers • Adapting product range • Reducing level of wastage **AO2 Application** *Limited application,* APP *applies knowledge to PP once.* *Developed application,* APP + APP *applies knowledge to PP twice.* *Max one* APP *for application for the first element and max one* APP *for application for the second element.* Application is making use of relevant case information not just repeating it. • Country W only has one supplier of clay. • PP uses this supplier. • The supplier offers 30 days payment terms with a 5% discount if PP pays within 20 days. • The supplier imports clay from China and so it has limited control over the quality or cost.	

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Question	Answer	Marks
1	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* Chains of reasoning highlighting likely impact of suppliers on PP's decisions: • Cost of Production could increase K for PP if the supplier increases their price. This is because PP only uses one supplier and so will have to accept the price they charge AN which means they may have to put up the price of their products to cover the increases. L2 AN • Quality of clay could decrease K because the supplier does not have control over the quality and this would mean that PP's finished goods of plates and mugs APP may be of a lower quality which could lead to customers not being satisfied. AN This could result in PP deciding to change supplier and import directly from abroad. L2 AN • Reliability/delays in delivery could lead to PP running out of clay K to make their tea lights and other clay products APP which means they may not be able to fulfil orders which are placed through their website AN and this may lead to PP reviewing its growth objective. L2 AN • If the supplier changed the credit terms from 30 days APP to 40 days this could improve PP's cash flow K and enable them to retain cash within the business for longer, AN and therefore PP could offer longer credit terms to its customers. L2 AN Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>
Analyse <u>one</u> advantage and <u>one</u> disadvantage to PP of the changing role of Information Technology (IT) in its marketing.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
Note:
• Only reward one advantage and one disadvantage
• Reward the best advantage and the best disadvantage if multiple advantages / disadvantages are referred to.
• L2AN (3 marks) is possible for just one point made.
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
2	Responses may include: **AO1 Knowledge and understanding** Only definition of marketing and/or definition of IT in marketing (max 1 mark) Only knowledge of one advantage/disadvantage of IT in marketing (max K 1 mark) Knowledge of one advantage **and** one disadvantage of the changing role of IT in marketing on PP (up to K 2) Knowledge of IT in marketing is – internet, email, mobile, in store digital signage, social media. Advantages of using IT in marketing: • Wider Reach through emails, social media. • Better Targeted Marketing – emails to existing customers. • Cost-Effective Methods – social media/internet less costly than print communication. • Real-Time Feedback of views/interactions. • Quick to make changes. Disadvantages of using IT in marketing • Investment in skilled employee to create and manage the promotion. • Could be too successful if the campaign is viral and PP may not be able to meet demand. • Customers could feel overloaded with information if there are too many posts / emails / adverts. • Junk mail setting/Ad blockers could stop some marketing reaching the intended target. • Ability to follow laws if data is collected. • Not everybody has access to IT. **AO2 Application** *Limited application,* APP *applies knowledge to PP once.* *Developed application,* APP + APP *applies knowledge to PP twice.* *Max one* APP *for application for the first benefit and max one* APP *for application for the second benefit.* Application is making use of relevant case information not just repeating it. • Opportunity cost of investment in IT in marketing such as the finance needed for a new kiln to meet increased demand. • Role of IT extending beyond PP having a website for consumers to order direct. • Forecasts indicate that the gift market could grow to $540 million by 2029.	

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Question	Answer	Marks
2	• Fiza has a marketing degree and limited experience – does she have the necessary skill to develop AI for use in customer service without technical support. • Link to objective to increase B2C sales. • Impact of IT on PP's brand recognition which has started to develop. • Impact on PP's financial efficiency such as the rate of inventory turnover of 24.5 times in 2025. • Change in proportion of B2C sales from 25% to more than 50%. **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Using social media posts can allow PP to reach more potential consumers K in more areas than with print marketing. This means more people will know about PP AN which can lead to more sales of pottery items L2 AN and therefore support its growth objective. APP • Using websites and email can be more cost effective K which means Pavni will not need to spend as much capital on marketing AN which means the money can be spent on other things like the new kiln project APP enabling PP to grow. L2 AN • Employing a specialist in social media marketing may be expensive and will increase PPs expenses K on salaries if she invests in social media marketing by employing someone. This means there will be less money to spend on other projects AN like encouraging intrapreneurship APP which may mean there are less new product ideas. L2 AN • PP could overuse IT in marketing and send out too many emails advertising new products or prices. This means consumers may become annoyed K by the emails and not look at them AN and the marketing will not increase sales. L2 AN Accept all valid responses.	

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Question	Answer	Marks
3(a)	**Using the data in Table 1.2, calculate PP's trade receivables turnover for 2025.** Trade receivables / credit sales × 365 (1) 2325 / 42 000 × 365 = 20.21 or 21 allow 20 (days) (2) $20.21 or 20.21% – incorrect units (1)	**2**
3(b)	**Using the data in Table 1.2, calculate PP's rate of inventory turnover for 2025.** Cost of Sales / Average Inventory (1) 19 630 / 800 = 24.54 OR 24 Allow 25 (times) (2) $24.54 or 24.54% – incorrect units (1) Note: 800 / 19 630 × 365 = 14.9 days (1)	**2**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>Evaluate the importance of financial efficiency to PP’s growth.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table></td><td>12</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>
Responses may include:

AO1 Knowledge and understanding
Limited knowledge K will be demonstrated through knowledge of the key elements of financial efficiency.
Limited knowledge K will be demonstrated through knowledge of growth.
Developed knowledge K + K + will be demonstrated through knowledge of financial efficiency <u>and</u> knowledge of impact on growth.

Financial efficiency refers to how well a business is using working capital, assets, and inventory to generate revenue and profit. Efficient financial management means PP is not tying up too much money in inventory or trade receivables.

Importance of financial efficiency for growth
Calculated through trade receivables days, trade payables days, rate of inventory turnover
• Improved Cash Flow.
• Increased Profitability.
• Better Access to Finance.
• Competitiveness and Scalability.

AO2 Application
Limited application, APP applies knowledge to PP once.
Developed application, APP + APP applies knowledge to PP twice.

• Trade receivables – 20.21 or 21 days.
• Inventory turnover – 24.54 times.
• Use of data from table – explaining how changes are impacting PP;
<table>
<tr><th>year</th><th>trade payables turnover</th><th>trade receivables turnover</th><th>rate of inventory turnover</th></tr>
<tr><td>2023</td><td>8 days</td><td>12 days</td><td>33 times</td></tr>
<tr><td>2024</td><td>8 days</td><td>14 days</td><td>30 times</td></tr>
</table>
• Calculation of 2025 trade payables 8.5 days.
• The supplier offers 30 days payment terms with a 5% discount if PP pays within 20 days.
</td><td></td></tr>
</table>

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Question	Answer	Marks
3(c)	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • By improving financial efficiency through decreasing the trade receivables turnover days, they are getting their money from customers who have paid on credit quicker. K From 2023 to 2025 PPs trade receivables days have increased from 12 to 21 days. APP This means they are taking more time to be paid, which means they do not have the cash in their business AN which can hinder growth plans because they may not be able to invest in the kiln as quickly. L2 AN However, this extended credit period could encourage more B2C customers, which would lead to growth of the business. EVAL • By improving financial efficiency through increasing the rate of inventory turnover PP would have less cash tied up in inventory. K They are reducing their rate of inventory turnover from 33 times in 2023, to 30 times in 2024 to 24.54 times in 2025 APP which means more working capital is tied up in inventory of pottery. This means it is taking longer to turn finished goods into cash. AN This means revenue will increase at a slower rate which may hinder growth plans. L2 AN However, it has only fallen by 5 days from 2024 to 2025 and this may change when PP start to sell more products through their website. EVAL • PP are paying their trade payables in an average of 8.5 days, APP despite their supplier allowing them a discount up to 20 days. This could create a cash flow problem K for PP as they are paying their suppliers faster than they are receiving their payments from customers. This means they may need to use an overdraft, AN which could hinder them taking loans to pay for growth. L2 AN However, they could delay their payments to suppliers and make use of the 20 days to improve this. EVAL **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • However statements after analysis showing an alternative view of the point being explained (see above). • 1 EVAL for an answer showing a balanced view. • A judgement on the most important element of financial efficiency for growth.	

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Question	Answer	Marks
3(c)	• What the judgement may depend on. - What other businesses do. - Impact of making changes. - Importance of other factors influencing growth such as use of IT in marketing and role of intrapreneurship. - Consequence of financial efficiency in terms of access to finance to fund growth. • Weighing up of relevant arguments • Short/long term impact on PP Example evaluation Trade receivables is the most important element of financial efficiency which will impact the growth of PP. Without receiving payment from customers more quickly they will be unable to pay for new employees to manage their online marketing which means they may not improve how recognisable their brand is. They may not be able to pay for the kiln if they use credit to purchase it as they are paying suppliers before they are paid by customers, creating a cash flow issue. In the short-term PP should increase its trade payables to match the credit period offered and in the long term decrease the trade receivables from 21 days to ensure they have enough working capital to fund their growth. L3EVAL. Accept all valid responses.	

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Question	Answer	Marks
4(a)	**Using the data in Table 1.3, calculate the accounting rate of return (ARR) for kiln option A.** Calculation: $\frac{\text{Average profit}}{(\text{Capital Cost + Residual value}) / 2} \times 100$ OR Average profit / average investment × 100 (1 mark if no rewardable calculation) Profit = 113 000 – 80 000 = 33 000 OR average investment = (80 000 + 0) / 2 =40 000 (1 mark) Average profit = 33 000 / 5 = 6600 (2 marks) AND average investment = 40 000 (3 marks) 6600 / 40 000 × 100 = 16.5% OR 17% (4 marks) 16.5 or 16.5% (4 marks) 16 OR 16% (3 marks) Note: 6600 / 80 000 × 100 = 8.25% (3) 33 000 / 40 000 × 100 = 82.5% (3)	**4**

alpha

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

Evaluate the most suitable option for Pavni to choose for the new kiln investment.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
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• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
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Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
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Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
4(b)	Responses may include: **AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of factor in decision making* *Developed knowledge* K + K *will be demonstrated through knowledge of two or more factors* • Knowledge of investment appraisal techniques: Quicker payback Higher ARR or NPV • Knowledge of other factors in the decision: Environmental impact of kiln Cost Reliability **AO2 Application** *Limited application,* APP *applies knowledge to PP once.* *Developed application,* APP + APP *applies knowledge to PP twice.* • Figures for ARR and Payback from insert and Q4a Payback for Option B is 6 months quicker. ARR for Option A is higher by 12.9% points. • Other factors Lower environmental impact of Option A. Longer term technical support for Option B. Capital cost of Option B is $20 000 higher. 4% point higher rejection rate of Option A **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • An advantage of option A is the higher ARR K of 16.5% which is 12.9% points higher than option B. APP This is good because the return on the original investment of $80 000 is much higher and is therefore a much better use of capital AN which means Pavni will see higher levels of profitability. L2 AN	

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Question	Answer	Marks
4(b)	• An advantage of option B is the lower percentage of faulty products K by 4%.APP this is good because there will be less waste AN within PP which means the business will save money associated with higher levels of faulty products. L2AN • An advantage of option A is the lower cost of energy K. This means PP can use the savings associated with lower energy costs to invest in more intrapreneurship APP which may mean there are more new product ranges AN which are more successful than the tealights and will increase sales for PP. L2AN **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • However statements after evaluation showing an alternative view of the point being explained. • 1 EVAL for an answer showing a balanced view – one positive and one negative or one positive/negative with a however for balance. • Most important factor with justification. Risk Return Long-term growth • Weighing up of relevant arguments • Short/long-term impact on PP Example conclusion PP should choose Option A because it is the best decision financially and non-financially. In the short term the initial outlay is $20 000 less than option B which means PP will have more retained capital to invest in other aspects of the growing business, like the social media marketing. In the long term Option A has lower pollution levels which could be another USP for Pavni as a way to attract more environmentally conscious customers. Overall option A is the best decision. L3EVAL The decision does depend on the long term aims of the business and what is important to PP. However, PP should choose option B. Even though it is $20 000 more than option A if Pavni is looking to reduce waste within her business in order to be more cost effective then this option is better. Reducing waste by having less faulty products will save money and time and will use less resources overall. L3EVAL Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>

Evaluate the impact of delegation on the success of PP's intrapreneurship.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
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Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
5	Responses may include: **AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through definition of knowledge of delegation OR intrapreneurship.* *Developed knowledge* K + K *will be demonstrated through knowledge of delegation <u>and</u> knowledge of how delegation will impact intrapreneurship.* Definition of delegation: passing authority down the organisational hierarchy. Definition of intrapreneurship: employees are encouraged to use and develop entrepreneurial skills to create new products, services, or processes within their existing business. • Shows responsibility and trust in employees which will generate more ideas. • Creates a culture that encourages employees to take risks and be creative. • Develops and trains employees. • If the responsibility is not well defined it may not succeed. • Enough decision-making power must be given to the employee for it to succeed. • Will allow Pavni more time to focus on strategy. **AO2 Application** *Limited application,* APP *applies knowledge to PP once.* *Developed application,* APP + APP *applies knowledge to PP twice.* • Employees given paid time to develop new ideas. • Flat hierarchy. • Tealights are the most successful range, they are new and are likely to be the product of intrapreneurship. • Potters are experienced in design and manufacture. • Market predicted to increase to $540m. • Shift towards B2C – different products may need to be developed. • Pavni evaluates designs and decides whether to produce the suggested new products.	

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Question	Answer	Marks
5	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Delegating design of new product ranges to the experienced potters APP and giving them paid time for intrapreneurship will encourage new ideas to be generated. K This means PP will have new products to launch and sell AN which will attract more customers to the growing business. L2 AN • Giving the potters paid time APP to develop new ideas is motivating. K this means they will be more fulfilled at work, AN especially if Pavni decides to launch their ideas. This means they are less likely to leave which means PP does not lose experienced and creative potters L2 AN • If Pavni is not clear about the intrapreneurial project the potters may not have enough direction K which means they may not use the paid time effectively. AN This means PP will not benefit from new designs like the tealight holders or magnets APP as they will not meet the needs of PP. L2 AN • Pavni evaluates the designs APP of the new products which the potters are developing during paid intrapreneurial time. If she does not involve the potters in this decision making K they may not feel like they have enough responsibility for the project AN and they may not be motivated to come up with new ideas. L2 AN **AO4 Evaluation** Limited evaluation EVAL – limited supported judgement and/or a weak attempt at evaluative comment. Developed evaluation L2 EVAL – supported judgement and/or reasonable evaluative comment. Developed evaluation in context L3 EVAL – supported judgement in context and/or reasonable evaluative comment in context. • 'However' statements after evaluation showing an alternative view of the point being explained. • It depends on arguments -May give insufficient authority to potters to introduce ideas -Pavni evaluates designs and decides whether to produce. This could demotivate potters if designs rejected. -Successful intrapreneurship will need to be supported by relevant market research to evaluate demand for new ideas. -Cost of new ideas will impact success of intrapreneurship. • 1 EVAL for an answer showing a balanced view. • Short/long term impact of delegation on intrapreneurship. • Judgement on the balance between benefits and drawbacks of delegation to PP. • Weighing up of relevant arguments.	

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Question	Answer	Marks
5	Example conclusion: Impact of delegation on the success of PP's intrapreneurship. The biggest impact of delegation on intrapreneurship in the short term is ensuring the employees are clear on task they are being asked to do. If they do not understand the intrapreneurial project they will not come up with suitable new designs and the paid time will be wasted. In the long term the motivation of employees will determine the success of intrapreneurship in PP, if they are delegated tasks they can complete and given some degree of control over decision making in terms of which products will be made, they are more likely to want to work on the project and create products that will make PP even more successful in the growing gift market. L3EVAL Accept all valid responses.	

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CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/31**

Paper 3 Business Decision-Making **May/June 2026**

INSERT **1 hour 45 minutes**

5094370989-I

INFORMATION

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

alpha

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2

Sugar-Less Scoops (SLS)

SLS was set up in country A in 2024 by Cali and Faiza as a private limited company. Cali and Faiza own 52% of the shares and two venture capitalists own 48% of the shares. Cali and Faiza identified a market for an alternative to high-sugar ice cream demanded by health-conscious consumers.

SLS manufactures zero-sugar ice creams. Its unique selling point (USP) is the distinctive flavours of its zero-sugar ice creams. SLS's ice cream retails for a higher price than its competitors. SLS has a mission statement of 'bringing quality to the zero-sugar ice cream market'.

Initial market research

Cali and Faiza invested a significant proportion of their start-up finance in market research. The research showed:

- sales within the global zero-sugar ice cream market are forecast to increase by 15% per year until 2030.
- 48% of people asked said they would consider switching to a zero-sugar ice cream brand.
- 65% of people asked wanted a wide selection of flavours and carton sizes.

SLS decided to manufacture 10 flavours of zero-sugar ice cream in individual and share size cartons using packaging that is 100% recyclable. SLS is proud to only use the best natural ingredients. SLS started selling its products in a selection of premium supermarkets in country A.

The market and marketing

The zero-sugar ice cream market is supported by the government of country A who are concerned about health problems within the country. The government has identified diets high in sugar as one of the leading causes of these health problems. This has increased the demand for zero-sugar ice cream.

There are high levels of competition in the zero-sugar ice cream market within country A, with many new businesses offering similar products. There are currently five large businesses which control 60% of this market. The remaining 40% of the market is made up of many small businesses. SLS has developed a strong brand through social media marketing and free trials at some supermarkets. SLS has a 5% market share in country A.

The average monthly income in country A has increased from $500 to $510. This has resulted in the market for zero-sugar ice cream in country A increasing by 4%. However, SLS's sales to retailers have increased by 8%. There have been no other changes.

Cali wants to increase profitability by increasing the price of each individual carton from $3.50 to $4.00. Faiza's research has shown that this will result in a reduction of 20% in the quantity demanded.

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3

Plans for expansion

Market research carried out by Cali and Faiza on country Z has identified the country as an excellent manufacturing base as well as a potential new market. Country Z is located a long distance away from country A. There is limited recognition of the SLS brand in country Z. To expand into country Z, SLS will need long-term borrowing of $3 million to open a factory and a regional office. Table 1.1 contains further financial information for SLS.

Table 1.1 Financial information 30th April 2026

	($000)
profit for the year	1086
non-current assets	5166
current assets	774
current liabilities	540
non-current liabilities	3500
share capital	500
reserves	1400

gearing ratio	64.81%

There are empty factory units available to rent or buy in country Z. Country Z is investing in infrastructure for high speed WIFI and an improvement to the road system.

There are differences between country A and country Z, see Table 1.2. There are also social and demographic differences between consumers in the two countries. Cali and Faiza think that passing power to a regional office in country Z would be the most effective way of SLS responding to these differences. The new regional office would have responsibility for production, distribution and marketing of SLS's ice cream in country Z.

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4

Table 1.2 Comparison of country A and country Z

	country A	country Z
minimum wage	government set and reviewed annually	no minimum wage
average income	high	medium
average years of education	13	7
employment laws	• maximum working day • paid holiday entitlement	• maximum working day • paid holiday entitlement
international trade	member of 13 free trade agreements	member of 2 free trade agreements
government interventions	• subsidy for businesses under 10 years old • reduced tax rates on factories that employ 75% local labour	• foreign businesses are limited to one purchase of land • reduced corporation tax for first 5 years for foreign businesses

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CAMBRIDGE
International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

5094370989

BUSINESS **9609/31**

Paper 3 Business Decision-Making **May/June 2026**

1 hour 45 minutes

You must answer on the question paper.

You will need: Insert (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen. Do **not** use correction fluid or tape.
- Do **not** write on any bar codes.
- You may use an HB pencil for any diagrams, graphs or rough working.

INFORMATION

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

This document has **12** pages. Any blank pages are indicated.

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1 Analyse **two** impacts on SLS of operating in a market with many competitors.

..... [8]

2 Analyse **two** reasons why quality is important to SLS.

..... [8]

3 **(a)** Refer to lines 33–35, calculate the price elasticity of demand of increasing the price per individual carton of ice cream from $3.50 to $4.00.

..... [2]

(b) Refer to lines 30–32, calculate the income elasticity of demand for SLS's products sold through retailers.

..... [2]

(c) Evaluate the likely impact on the marketing behaviour of SLS of an increase in the average income in country A.

..... [12]

4 **(a)** Using data in Table 1.1, calculate the new gearing ratio if SLS borrows $3 million to open a factory and a regional office in country Z.

..... [4]

(b) Evaluate the likely impact on the shareholders of SLS of the decision to increase long-term borrowing by $3 million.

..... [12]

5 Evaluate the likely benefits to SLS of decentralising decision making to its new regional office in country Z.

..... [12]

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CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/31**

Paper 3 Business Decision-making **May/June 2026**

MARK SCHEME

Maximum Mark: 60

Published

This mark scheme contains the instructions and marking guidance that our examiners used to mark candidate responses for this component.

Before they start marking, examiners complete a standardisation process. They review a range of candidate responses and discuss the mark scheme in detail to agree which answers can and cannot be accepted. Examiners award marks where it is clear that candidate responses have met the requirements of the mark scheme. These requirements may vary between different components or different versions of the same component, depending on the exact requirements of the question and the candidate responses seen during the standardisation process.

Sometimes, our mark schemes may allow marks to be awarded to responses which contain elements that are factually incorrect or for content not covered by the syllabus. We do this in response to the demands of a specific question to support candidates and make sure that our assessments are fair. However, these allowances should not be used as a guide for teaching and learning.

We cannot discuss the mark scheme with schools, and we recommend that schools read the mark scheme together with the assessment material and the Principal Examiner Report for Teachers.

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General marking principles

All examiners must apply these marking principles when marking candidate responses.

1	Examiners must award marks for each response in line with: • the specific **content** defined in the mark scheme • the specific **skills** defined in the mark scheme or in the level descriptions • the **standard of response** required as exemplified by the standardisation scripts.
2	Examiners must award **whole marks** (not half marks, or other fractions).
3	Examiners must award marks **positively**. This means that: • marks are not deducted for errors or omissions • marks are awarded for correct/valid answers as defined in the mark scheme and also for **other valid answers** which go beyond the scope of the syllabus and mark scheme referring to your team leader as appropriate • the quality of spelling, punctuation and grammar are judged **only** when the mark scheme indicates that these features are **specifically assessed** in the question. However, the meaning of all responses must be unambiguous.
4	Examiners must **consistently** apply the requirements of the mark scheme and any rules for what to do when candidates have not followed instructions correctly.
5	Examiners must use the **full range of marks** defined in the mark scheme, unless limited by the quality of the candidate responses seen.
6	Examiners must award marks according to the mark scheme and **must not** award marks with grade thresholds or grade descriptions in mind.

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Social Sciences-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. corrasion/corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	For objective points that are correct.
	For objective points that are wrong.
TV	When the candidate has attempted something, but the mark/skill has not been awarded as the answer is not sufficiently clear.
Highlighter	To highlight a point or section of an answer that justifies the mark/annotation.
BOD	When the candidate has attempted something, and the mark/skill has been awarded.
SEEN	To show a page/section has been seen/read.
REP	The repetition of a previous point in a response **or** the candidate is copying the case study/data.
OFR	The own figure rule applies – acts as a mark/tick.
K	When AO1 has been awarded. The number of Ks should match the mark awarded.

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Annotation	Meaning
APP	When AO2 has been awarded. The number of APPs should match the mark awarded.
AN	When AO3 at Level 1 has been awarded.
L2 AN	When AO3 at Level 2 has been awarded.
EVAL	When AO4 at Level 1 has been awarded.
L2 EVAL	When AO4 at Level 2 has been awarded.
L2	When AO3 or AO4 has been awarded at Level 2.
L3	When AO4 has been awarded at Level 3.

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Guidance on using levels-based marking

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The examiner should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:
- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range.
- If the candidate's work **just** meets the level statement, award the lowest mark.
- L1, L2 etc. must be clearly annotated on the response at the point where the level is achieved.

Assessment objectives

AO1 Knowledge and understanding
Demonstrate knowledge and understanding of business concepts, terms and theories.

AO2 Application
Apply knowledge and understanding of business concepts, terms and theories to problems and issues in a variety of familiar and unfamiliar business situations and contexts.

AO3 Analysis
Analyse business problems, issues and situations by:
- using appropriate methods and techniques to make sense of qualitative and quantitative business information
- searching for causes, impact and consequences
- distinguishing between factual evidence and opinion or value judgement
- drawing valid inferences and making valid generalisations.

AO4 Evaluation
Evaluate evidence in order to make reasoned judgements, present substantiated conclusions and, where appropriate, make recommendations for action and implementation.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>
Analyse <u>two</u> impacts on SLS of operating in a market with many competitors
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
Note:
• If more than two elements are referred to, reward the best two.
• L2AN (3 marks) is possible for just one point made.
All annotation (K APP AN L2) should be in the left margin.
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
1	Responses may include: **AO1 Knowledge and understanding** Definition of relevant terms (max K 1 mark) • A competitor is a business that sells similar products or services, or targets the same customers. • Competitive market: A market structure with many firms selling similar products. Knowledge of impacts on SLS of operating in a market with many competitors – (max K 2 marks): • Drive to be efficient to reduce costs. • Innovation – regularly upgrade products. • Customer centric focus – SLS will need to prioritise quality, competitive pricing and customer service. • Lower profitability and profit. • More intensive marketing and advertising. • Greater focus on customer loyalty. • Downward pressure on prices. • Higher cost of acquiring customers. • Need for differentiation. • Reduced market share. AO2 Application *Limited application,* APP *applies knowledge to SLS once.* *Developed application,* APP + APP *applies knowledge to SLS twice.* *Max one* APP *for application for the first element and max one* APP *for application for the second element.* Application is making use of relevant case information not just repeating it. • Reduce costs: Possible location in country Z with no minimum wage and reduced corporation tax. • Ice cream market is growing – $500 million USD in 2023 – 15% growth per year until 2030. • Five large businesses control 60% of the 'zero-sugar ice cream market'. • SLS has only a 5% market share. • Many new businesses offer similar products. • Small companies account for 40% of the market. • Innovation and product range: 10 flavours – individual and share size packs. • Customer focus: 65% of customers want greater selection of flavours and pack sizes. • May be difficult for SLS to increase price from $3.50 to $4.00.	

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Question	Answer	Marks
1	AO3 Analysis *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* Chains of reasoning highlighting likely impacts of operating in a competitive market: • Many competitors gives consumers more choice therefore SLS may be unable to raise prices significantly without losing customers AN resulting in lower profit margins L2 AN. • Due to there being many competitors SLS must invest more in social media/free trials to differentiate its brand resulting in higher costs AN and therefore profits may fall unless sales increase L2 AN. • Competition will drive SLS to reduce costs through being more efficient. This could be through lower wages by locating in country Z AN. Lower fixed costs would lead to higher retained profits which could be used to develop new product lines. L2 AN • SLS would need to be innovative in order to continue to attract customers from the 5 large companies who dominate the market and the many smaller competitors in the zero-sugar ice cream market. By launching new flavours or pack sizes, which are different from competitors product ranges, SLS would attract customers to their brand AN which would lead to increased revenue and knowledge of the brand. L2 AN • By extending product ranges to more than 10 flavours and 2 pack sizes SLS can encourages customers to buy more/wider variety of products AN which would lead to a higher spend per customer and increased revenue. L2 AN • Operating alongside 'five large businesses' that control 60% of the market makes it difficult for SLS to expand. • These larger competitors likely benefit from economies of scale, allowing them to undercut SLS prices AN . Consequently, SLS must rely heavily on its USP of 'distinctive flavours' to justify its higher retail price L2 AN. Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>
Analyse <u>two</u> reasons why quality is important to SLS.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
Analyse two reasons why quality is important to SLS.

Note:
• If more than two reasons are referred to, reward the best two.
• L2AN (3 marks) is possible for just one point made.
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
2	Responses may include: **AO1 Knowledge and understanding** Definition of quality within a business (max K 1 mark) identification of reasons (up to K 2) • Quality is the standard of a product or service, or how well it performs. It is often defined as the ability of product to satisfy customer requirements. Reasons why quality is important: • Helps create customer loyalty and brand reputation. • Reduces cost of customer complaints. • Helps prolong the product lifecycle. • Reduces the cost of advertising. • Increases the price that can be charged. **AO2 Application** *Limited application,* APP *applies knowledge to SLS once.* *Developed application,* APP + APP *applies knowledge to SLS twice.* *Max one* APP *for application for the first benefit and max one* APP *for application for the second benefit.* Application is making use of relevant case information not just repeating it. • Mission statement: 'bringing quality to the zero-sugar ice cream market'. • SLS ice cream is sold in premium supermarkets. • SLS already has 10 flavours, 2 sizes and the packaging is 100% recyclable. • Distinctive flavours are its USP. • SLS uses the best natural ingredients • SLS ice cream is a premium priced product. • Product retails for a higher price than competitors. • It is a competitive market with many small and large competitors.	

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Question	Answer	Marks
2	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • High quality helps create customer loyalty which for a growing business will result in increased repeat customers for SLS's 10 flavours of ice cream which will lead to higher revenue AN which will allow Cali and Faiza to invest in further product development. L2 AN • Reduces cost of customer complaints – SLS will spend less on replacing defective products which means they will have more money retained in the business AN which they could use to carry out further research or use towards the expansion into country Z L2 AN. • Helps prolong the product lifecycle. Customer will continue to buy the ice cream as it enters maturity which will ensure sales are made for a longer period of time which may mean SLS do not need to launch new products AN as regularly which will result in a cost saving for new product development. L2 AN • Reduces the cost of advertising – the brand will establish a quality image through the performance of its products which means SLS do not need to allocate as much money to advertising AN and this can be used for NPD in order to satisfy the 65% of customers who would like to see more flavours. L2 AN • Supports premium pricing: High quality ingredients/flavours ensures that customers perceive greater value and are therefore willing to pay higher prices AN which may result in increased revenue/profit L2 AN. • Quality is central to the mission statement of bringing quality to the zero-sugar market. Consistently high-quality builds brand loyalty among consumers in country A AN. This brand loyalty reduces the risk that the 20% reduction in demand predicted by Faiza will actually occur if prices are increased L2 AN. Accept all valid responses.	

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Question	Answer	Marks
3(a)	**Refer to lines 33–35, calculate the price elasticity of demand of increasing the price per individual carton of ice cream from $3.50 to $4.00.** PED = % change in quantity demanded / % change in price (1 mark if no accurate calculation) % change in price = 4.00 – 3.50 / 3.50 = 14.29% (1) PED = – 20 / 14.29 = –1.4 (2) 1.4 (1 mark)	**2**
3(b)	**Refer to lines 30–32, calculate the income elasticity of demand for SLS's products sold through retailers.** YED = % change in quantity demanded / % change in income (1 mark if no accurate calculation) % change in Demand – 8% – given in case study % change in income = 510–500 / 500 × 100 = 2% (1) 8/2 = 4 (2)	**2**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>Evaluate the likely impact on the marketing behaviour of SLS of an increase in the average income in country A.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table></td><td>12</td></tr>
</table>

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Question	Answer	Marks
3(c)	Responses may include: **AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of the key element(s) of the marketing mix – Place, Promotion, Product, Price OR knowledge of income elasticity / link between income and demand.* *Developed knowledge* K + K *+ will be demonstrated through knowledge income elasticity / link between income and demand* ***and*** *knowledge of impact of change in income on marketing decisions.* Elements of marketing mix (4Ps). Increase in income – people have more money to spend on luxury goods. Elastic. Luxury good. Definition of YED – responsiveness of quantity demanded to a change in income. • Income elastic – demand changes by a higher proportion than a change in income. • The good or service is income elastic, meaning that demand is very responsive to changes in income. This is typical of luxury goods. • Place – increasing locations for availability of SLS ice cream. • Product – new product launches – Introducing new flavours / pack sizes. • Promotion – increase promotion. • Price – amount charged to customers for the product. **AO2 Application** *Limited application,* APP *applies knowledge to SLS once.* *Developed application,* APP + APP *applies knowledge to SLS twice.* • YED = 4 (answer from **3(b)**). OFR applies • SLS sells through retailers – available in premium supermarkets. • 65% of survey wanted a greater selection of flavours and pack size. • Already 10 flavours, 2 sizes, packaging is 100% recyclable. • Social media marketing and free trials at some supermarkets • Price of SLS ice cream is higher than other ice cream brands.	

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Question	Answer	Marks
3(c)	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis including link to marketing decision.* • SLS should increase output by selling through more retailers. This is because as SLS ice cream is income elastic as incomes rise, demand will increase AN so by having the ice cream in more retailers more people will by the products and SS will have increased revenues. L2 AN • If there is a greater choice of flavours and pack sizes it is more likely that consumers will try the new products because there is demand for new flavours ANand the ice creams are a luxury good which people will have more money to spend on which means SLS will sell more ice creams through retailers. L2 AN • SS should increase promotion because the ice-cream market is competitive so customers will already have a choice of products they can buy this means that they will be more aware of SLS's products AN and will be more likely to recognise the brand and therefore buy the ice creams which will lead to an increase in revenue. L2 AN • Because YED is +4, a rise in income leads to a more than proportionate increase in demand (8% growth from 2% income rise). Therefore, SLS may shift its marketing focus away from 'free trials' towards 'premium' lifestyle branding to better appeal to the increasingly wealthy consumer base AN. **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • 'However' statements after evaluation showing an alternative view of the point being explained. • 1 EVAL for an answer showing a balanced view. • A judgement on the most important change in marketing mix as a result of an increase in income. • Strongest judgement likely that marketing strategy becomes more growth-oriented because YED of +4 suggests income changes have a significant impact on demand. • Weighing up of relevant arguments	

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Question	Answer	Marks
3(c)	• What the judgement may depend on: Competitors may also target higher-income consumers. The impact depends on how 'five large businesses' react; if they also increase marketing, SLS's gains might be cancelled out. Extent depends on whether income growth continues. Cost of making the changes Demand growth may be due partly to health trends, not only income. • The high YED suggests that income growth is a major opportunity for SLS to increase its 5% market share, but they must ensure production can meet the 8% growth rate. Example evaluation The most likely change in the short term will be the increase in promotion that SLS should carry out. By spending more on their advertising, instead of only relying on social media and word of mouth, they will be able to tell more potential consumers about the new zero sugar ice cream brand and because the YED is 4, elastic, and wages are increasing more people are likely to buy the ice cream. However, in the long term, producing more flavours will help to attract even more customers to the SLS brand and therefore improve the brand recognition and revenue of the business. L3EVAL. Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(a)</td><td>Using data in Table 1.1, calculate the new gearing ratio if SLS borrows $3 million to open a factory and a regional office in country Z.
<table>
<tr><th>Note</th><th>Answer</th><th>Mark</th></tr>
<tr><td>Correct answer</td><td>77.38% OR 77.4% OR 77%</td><td>4</td></tr>
<tr><td>Correct method but no correct final answer
OR
Correct formula AND calculation of non-current liabilities AND calculation of capital employed</td><td>77.38 OR 77.4 OR 77
OR
6500 / 8400 × 100
OR
Gearing = Non-current liabilities / capital employed × 100
AND 6500 ($6 500 000) AND 8400 ($8 400 000)</td><td>3</td></tr>
<tr><td>Calculation of non-current liabilities
AND
Capital employed</td><td>3500 + 3000 = 6500 ($6 500 000)
AND
500 + 1400 + 6500 = 8400 ($8 400 000)</td><td>2</td></tr>
<tr><td>Knowledge of gearing formula
OR
Calculation of non-current liabilities
OR
Calculation of capital employed</td><td>Gearing = Non-current liabilities / capital employed × 100
OR
3500 + 3000 = 6500 ($6 500 000)
OR
500 + 1400 + 6500 = 8400 ($8 400 000)</td><td>1</td></tr>
<tr><td>To award zero marks, there must be
• One ✗</td><td>No creditable response</td><td>0</td></tr>
</table>
OFR applies to calculations</td><td>4</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

Evaluate the likely impact on the shareholders of SLS of the decision to increase long-term borrowing by $3 million.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
4(b)	Responses may include: **AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of gearing OR shareholders OR one impact of increased borrowing on shareholders.* *Developed knowledge* K + K *will be demonstrated through knowledge of two relevant points including at least one impact of increased borrowing on shareholders.* • Shareholders own the business thought their shareholding. • Shareholder objectives including increased profit or increased dividends or increased share value. • Definition of gearing: the ratio of debt to capital employed within the business. • High gearing – more reliance on loan capital = greater risk taken by shareholders. • Low gearing = safe strategy = not borrowing to invest or expand. • Debt finance doesn't dilute control of existing shareholders. **AO2 Application** *Limited application,* APP *applies knowledge to SLS once.* *Developed application,* APP + APP *applies knowledge to SLS twice.* • Gearing increases from 'safer' but not ideal 64.81% to (very) high 77.38%. • Shareholders include founders and venture capitalists SLS is 48% owned by 2 venture capitalists. Cali & Faiza still own 52% of the company. • Already has existing borrowing of $3.5m. • Borrowing will increase to $6.5m an increase of 85.7% • Finance to be used to expand into country Z – open a factory and regional office • There is limited recognition of SLS in country Z.	

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Question	Answer	Marks
4(b)	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Increased risk as SLS is now more reliant on loans to fund the business. This means that if interest rates rise in country A, the loans will cost more to pay back AN. This means business costs will increase which will lead to less retained profit which leads to less potential dividends to be paid to shareholders. L2 AN • Being highly geared may mean SLS cannot borrow funds in the future for further expansion. This may limit their growth to organic growth AN, which is slower and may mean debts are paid back more slowly and therefore dividends remain lower for longer L2 AN. • High gearing could put off investment from other investors which could limit the expertise within SLS. AN • Borrowing funds for expansion could result in successful entry into country Z and therefore higher profits AN resulting in potentially higher dividends for shareholders L2 AN. • Higher borrowing means increased interest commitments which results in lower net profit if expansion underperforms AN and therefore reduced shareholder returns L2 AN. **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • 'However' statements after evaluation showing an alternative view of the point being explained. • 1 EVAL for an answer showing a balanced view – one positive and one negative or one positive/negative with a however for balance. • Most important impact with justification. Risk. Ability to pay dividends. Long term growth. • Factors impact depends on: Depends on success of expansion into country Z. • Weighing up of relevant arguments. • Short/long term impact on shareholders.	

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Question	Answer	Marks
4(b)	Example conclusion The most important factor for SLS to consider is the risk to shareholders being taken by increasing gearing to 77.38%. They are a relatively new business operating in a relatively new market and should any external factors change they may be unable to raise further finance to cover any costs that arise unexpectantly which means they increase the risk of their business failing and therefore their corporate investors losing their investment. L3EVAL Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>

Evaluate the likely benefits to SLS of decentralising decision making to its new regional office in country Z.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
5	Responses may include: **AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of decentralisation* *Developed knowledge* K + K *will be demonstrated through knowledge of decentralisation <u>and</u> knowledge of how decentralisation will impact SLS.* • Decision making authority passed to managers further down the hierarchy . • Managers in functional areas take decisions that would have been made at head office. • More junior managers can develop their skills. • Employees are empowered. • Decisions taken closer to the action. • Decisions are quicker and more flexible. • Decisions made in the best interests of the whole business. • Weakening of brand identity. • Risk of inconsistent decisions and loss of central control. **AO2 Application** *Limited application,* APP *applies knowledge to SLS once.* *Developed application,* APP + APP *applies knowledge to SLS twice.* • Brand awareness in country Z is limited. • Social and demographic differences between consumers in the two countries. • The new regional office would have responsibility for production, distribution and marketing of SLS's ice cream in country Z. • Consumers in country Z may demand different flavours of ice cream to country A. • Average years of education is lower so may be a skill issue when recruiting employees. • Strong and growing market for zero sugar ice cream. • Country Z is a long way from country A. **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Local decisions can be made. This means products can be made that match the demands from local consumers. AN This means there is more likelihood that customers will buy the zero-sugar ice cream. This means the brand will become more established in country Z. L2 AN	

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Question	Answer	Marks
5	• Junior managers can be developed through decentralisation allowing them some autonomy over decisions. This means these managers will be more motivated from the trust being put in them. AN This means they are less likely to leave which means the knowledge and experience will stay in SLS and C&F will not need to recruit and train new managers, which will save costs. L2 AN • Decisions are quicker and more flexible because managers are closer to the action and can respond faster to changes in demand in the local area. AN This means there is less chance of new trends in flavours being missed and so SLS can maximise sales of products in the growing zero-sugar ice cream market in country Z. L2 AN • Decentralisation will not utilise the experience C&F have from starting up and growing the business in country A. They have already been through the process and so will know how to overcome some issues AN and will make decisions in the best interest of the whole company, not just of the region they are in which means the business as a whole will be more successful. L2 AN • Decentralisation may not utilise the skills and knowledge of the venture capitalists AN because they are located in country A. • Managers in country Z making decisions without checking them with C&F first may reduce the consistency in the SLS brand. This may mean that consumers are less likely to recognise the brand or brand values AN if they are not consistent. This may lead to less customers in the long run because the branding is less established. L2 AN **AO4 Evaluation** Limited evaluation EVAL – limited supported judgement and/or a weak attempt at evaluative comment. Developed evaluation L2 EVAL – supported judgement and/or reasonable evaluative comment. Developed evaluation in context L3 EVAL – supported judgement in context and/or reasonable evaluative comment in context. • 'However' statements after evaluation showing an alternative view of the point being explained. • 1 EVAL for an answer showing a balanced view • Cultural and market differences make local knowledge particularly valuable • Short/long term impact on SLS of decentralisation • Judgement on the balance between benefits and drawbacks of decentralisation to SLS. - Overall decentralisation is likely to be beneficial because country Z differs significantly from country A and is geographically distant. - Benefits depend on quality of local managers. • Weighing up of relevant arguments.	

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Question	Answer	Marks
5	Example conclusion: In the long term the biggest impact on SLS of decentralisation will be the ability to react to differences in consumers in country Z. This will allow SLS to adapt their flavours of ice cream and pack sizes to ensure they are meeting the needs of consumers who are buying zero sugar ice cream. In the short term, having a motivated workforce, who are empowered by decentralisation will help to establish the new factory and office in country Z and help to ensure the longer term success of SLS. L3 EVAL Accept all valid responses.	

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CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/32**

Paper 3 Business Decision-Making **May/June 2026**

INSERT **1 hour 45 minutes**

5220706504–I

INFORMATION

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

alpha

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2

Carrum Cars (CC)

CC is a private limited company, based in country W, that sells cars. Gross domestic product (GDP) in country W has increased significantly in the last five years.

CC was set up in 2022 and for two years it traded online and from a small showroom in the centre of city A.

CC does not manufacture cars. The business buys cars directly from manufacturers and then sells these from its showroom and on its website.

Showroom relocation

In March 2024, CC purchased a large plot of land on a busy road in country W. It built a large showroom so that customers can view the cars and take them for a test drive. This investment was financed by a bank loan. In August 2024, CC relocated to the new showroom.

The new showroom building also has offices for the directors and managers and an area for internet sales. Figure 1.1 shows some data about the showroom relocation.

CC's new showroom:

- opened in August 2024
- capacity to store 70 cars in inventory at any one time
- employee and customer parking for an additional 30 cars
- two other competitor car showrooms within 5 km
- closest populated areas:
  - city A – 9 km away, population 500 000
  - city B – 21 km away, population 200 000.

Figure 1.1 Data about CC's showroom relocation

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Organisational structure

At a recent meeting of the board of directors, the efficiency of CC was discussed. Figure 1.2 shows the current organisational structure for CC in 2026. The number in brackets in each box shows the number of employees in that role.

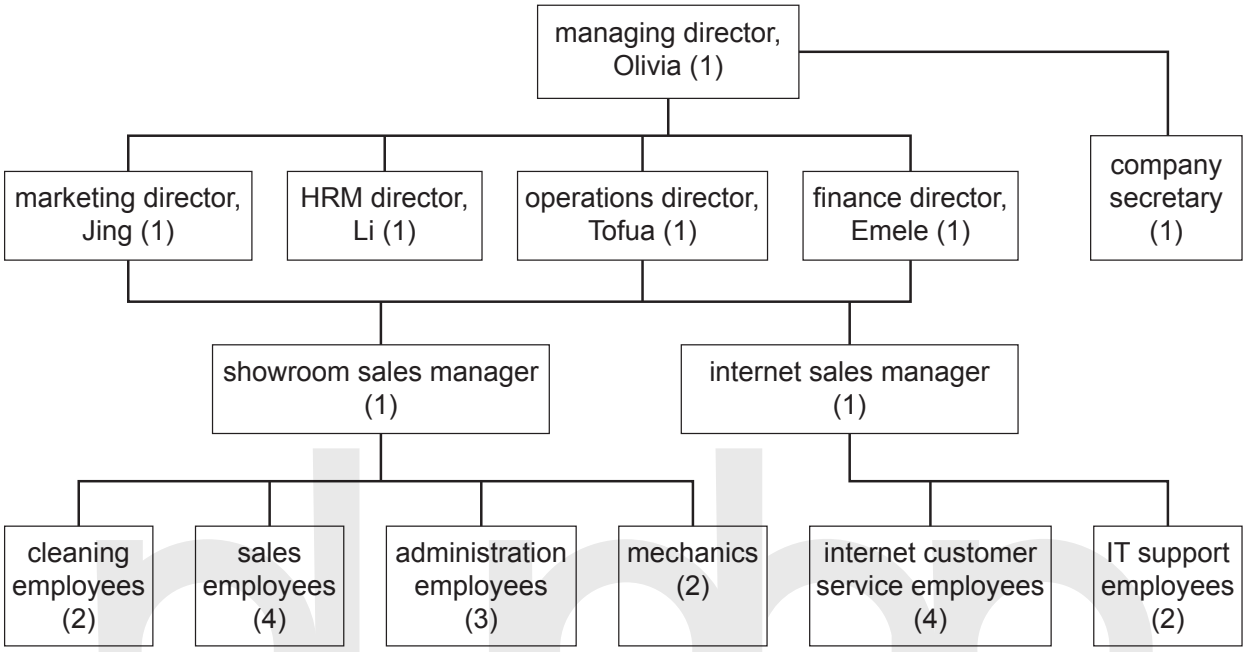


Figure 1.2 CC's organisational chart

CC's finance director, Emele, thinks that the business has too many levels of hierarchy. She has proposed that CC delayers the company by making the showroom sales manager and the internet sales manager redundant. She has proposed that CC should invest in an Enterprise Resource Planning (ERP) programme which would take over most of the managerial functions currently carried out by the two managers.

The showroom sales employees are paid using commission based on achieving sales targets. The cleaners are paid country W's minimum wage, and the other employees are paid a salary. The mechanics are paid a relatively high salary due to a skills shortage in country W.

ERP investment appraisal

Emele has carried out an investment appraisal for the proposed ERP programme (see Table 1.1). There is no residual value for this investment at the end of its four-year life.

Table 1.1 Net cashflow for the proposed ERP software

year	net cashflow ($000s)
0	(125)
1	25
2	50
3	50
4	60

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4

Inventory control

The operations director, Tofua, is more concerned about the inventory held by CC. 'When we were located at the old showroom, we held very little inventory' said Tofua, 'and it worked well for us. However, since opening the new showroom, we have been holding more and more inventory, and it is causing significant opportunity costs.' Table 1.2 shows inventory and cost data for CC.

Table 1.2 Inventory and cost data for CC

year	average inventory ($000s)	cost of sales ($000s)
2022	1250	5650
2023	1500	7000
2024	2000	15500
2025	2500	20000

The managing director, Olivia, thinks that reducing the inventory level in the showroom would be an inappropriate decision. She knows that many customers expect to be able to see and test drive a car before they agree to purchase it. Without inventory of the different car models CC sells, she worries that demand will decrease, especially with the current high inflation rate in country W.

Tofua has prepared a summary report of CC's current inventory (see Table 1.3).

Table 1.3 CC's current inventory

car model	engine type	quantity in inventory	cost per car ($)
A	gas (petrol)	24	12000
B	gas (petrol)	12	30000
C	gas (petrol)	16	22500
D	electric	6	99000
E	electric	12	59000

Sales forecasting

At a recent board meeting, Jing, the marketing director, presented the quarterly sales forecast. An extract from the quarter 3 (July to September) 2026 forecast is shown in Figure 1.3.

July and August – low sales due to customers prioritising vacations.

September – manufacturers launch new car models – high sales expected.

market trends – 35% increase in demand for electric vehicles.

Figure 1.3 Extract from Q3, 2026 CC sales forecast

Olivia, the managing director, is concerned that Jing's forecast does not include more qualitative sales forecasting.

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CAMBRIDGE
International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

5220706504

BUSINESS **9609/32**

Paper 3 Business Decision-Making **May/June 2026**

1 hour 45 minutes

You must answer on the question paper.

You will need: Insert (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen. Do **not** use correction fluid or tape.
- Do **not** write on any bar codes.
- You may use an HB pencil for any diagrams, graphs or rough working.

INFORMATION

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

This document has **12** pages. Any blank pages are indicated.

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Answer **all** questions.

1 Analyse **two** factors that may have determined the site for the relocation of CC's showroom.

..... [8]

2 Analyse **two** difficulties CC may have when valuing inventory.

..... [8]

3 **(a)** Using the data from Figure 1.2, calculate the span of control for the showroom sales manager.

..... [1]

(b) Using the data from Table 1.1, calculate the accounting rate of return (ARR) for the proposed Enterprise Resource Planning (ERP) programme.

..... [3]

(c) Evaluate whether the directors should delayer CC's organisational structure.

..... [12]

4 **(a)** Using the data from Table 1.2, calculate the change in CC's rate of inventory turnover between 2024 and 2025.

..... [4]

(b) Evaluate the importance for CC of forecasting sales.

..... [12]

5 Evaluate the extent to which economic factors may impact CC's decision making.

..... [12]

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CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/32**

Paper 3 Business Decision-making **May/June 2026**

MARK SCHEME

Maximum Mark: 60

Published

This mark scheme contains the instructions and marking guidance that our examiners used to mark candidate responses for this component.

Before they start marking, examiners complete a standardisation process. They review a range of candidate responses and discuss the mark scheme in detail to agree which answers can and cannot be accepted. Examiners award marks where it is clear that candidate responses have met the requirements of the mark scheme. These requirements may vary between different components or different versions of the same component, depending on the exact requirements of the question and the candidate responses seen during the standardisation process.

Sometimes, our mark schemes may allow marks to be awarded to responses which contain elements that are factually incorrect or for content not covered by the syllabus. We do this in response to the demands of a specific question to support candidates and make sure that our assessments are fair. However, these allowances should not be used as a guide for teaching and learning.

We cannot discuss the mark scheme with schools, and we recommend that schools read the mark scheme together with the assessment material and the Principal Examiner Report for Teachers.

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General marking principles

All examiners must apply these marking principles when marking candidate responses.

1	Examiners must award marks for each response in line with: • the specific **content** defined in the mark scheme • the specific **skills** defined in the mark scheme or in the level descriptions • the **standard of response** required as exemplified by the standardisation scripts.
2	Examiners must award **whole marks** (not half marks, or other fractions).
3	Examiners must award marks **positively**. This means that: • marks are not deducted for errors or omissions • marks are awarded for correct/valid answers as defined in the mark scheme and also for **other valid answers** which go beyond the scope of the syllabus and mark scheme referring to your team leader as appropriate • the quality of spelling, punctuation and grammar are judged **only** when the mark scheme indicates that these features are **specifically assessed** in the question. However, the meaning of all responses must be unambiguous.
4	Examiners must **consistently** apply the requirements of the mark scheme and any rules for what to do when candidates have not followed instructions correctly.
5	Examiners must use the **full range of marks** defined in the mark scheme, unless limited by the quality of the candidate responses seen.
6	Examiners must award marks according to the mark scheme and **must not** award marks with grade thresholds or grade descriptions in mind.

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Social Sciences-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. corrasion/corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	For objective points that are correct.
	For objective points that are wrong.
TV	When the candidate has attempted something, but the mark/skill has not been awarded as the answer is not sufficiently clear.
Highlighter	To highlight a point or section of an answer that justifies the mark/annotation.
BOD	When the candidate has attempted something, and the mark/skill has been awarded.
SEEN	To show a page/section has been seen/read.
REP	The repetition of a previous point in a response **or** the candidate is copying the case study/data.
OFR	The own figure rule applies – acts as a mark/tick.
K	When AO1 has been awarded. The number of Ks should match the mark awarded.

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Annotation	Meaning
APP	When AO2 has been awarded. The number of APPs should match the mark awarded.
AN	When AO3 at Level 1 has been awarded.
L2 AN	When AO3 at Level 2 has been awarded.
EVAL	When AO4 at Level 1 has been awarded.
L2 EVAL	When AO4 at Level 2 has been awarded.
L2	When AO3 or AO4 has been awarded at Level 2.
L3	When AO4 has been awarded at Level 3.

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Guidance on using levels-based marking

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The examiner should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:

- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range.
- If the candidate's work **just** meets the level statement, award the lowest mark.
- For AO3 and AO4 L2 and L3 must be clearly annotated on the response at the point where the level is achieved.

Assessment objectives

AO1 Knowledge and understanding
Demonstrate knowledge and understanding of business concepts, terms and theories.

AO2 Application
Apply knowledge and understanding of business concepts, terms and theories to problems and issues in a variety of familiar and unfamiliar business situations and contexts.

AO3 Analysis
Analyse business problems, issues and situations by:

- using appropriate methods and techniques to make sense of qualitative and quantitative business information
- searching for causes, impact and consequences
- distinguishing between factual evidence and opinion or value judgement
- drawing valid inferences and making valid generalisations.

AO4 Evaluation
Evaluate evidence in order to make reasoned judgements, present substantiated conclusions and, where appropriate, make recommendations for action and implementation.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>
Analyse <u>two</u> factors that may have determined the site for the relocation of CC's showroom.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
1	**Note:** • If more than two factors are identified reward the best two. • L2AN (3 marks) is possible for just one point made. • All annotation (K APP AN L2) should be in the left margin. **AO1 Knowledge and understanding** Definition of relocation as the process of moving a company's physical operations, offices, or facilities from one location to another. Knowledge and understanding of factors affecting location, including: • Fixed costs – such as rent, mortgage and utilities at the location • Labour costs • Transportation costs • Distance from market • Passing trade /revenue • Government grants • External economies of scale – such as concentration, access to specialised suppliers and infrastructure • Investment appraisal data – such as time to recoup investment, rate of return and present value • Safety – such as risks of pollution, public liability. • Future expansion plans • Owners/managers preference • Ethical considerations – such as redundancies. • Environmental concerns • Infrastructure – such as road/sea/train access, IT and internet availability. • Legislation and regulations • Proximity to competition	

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Question	Answer	Marks
1	**AO2 Application** *Limited application,* APP *applies knowledge to CC once.* *Developed application,* APP + APP *applies knowledge to CC twice.* *Max one* APP *for application for the first element and max one* APP *for application for the second element.* Application is making use of relevant case information not just repeating it. (See examples under AN.) • On busy road linked to more passing trade / greater visibility for customers / ease of access for customers • Allows customers to view cars and take them for a test drive • Can store 70 cars in inventory • Employee and customer parking for additional 30 cars • Two other competitor car showrooms within 5 kms • City A – 9 km away, population of 0.5 m • City B – 21 km away, population of 0.2 m • Offices for directors and managers (managers may be made redundant if delayering occurs) • Area for internet sales **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Fixed costs; If the fixed costs decrease K because the showroom is no longer in the city centre APP, then CC will have less of these costs to apportion to the cars that it sells. This is likely to enable CC to reduce prices AN– which can lead to higher demand, more sales revenue and higher profit. L2 AN • Labour costs; if CC has to pay higher wages to its staff K because of the relocation then this will increase its variable costs AN– leading to lower profitability. L2 AN • Transportation costs; the additional distance from city A may increase or decrease the cost to transport cars AN. • CC may have chosen its new location to increase overall access to its potential customers K as it may now be closer to city B whilst remaining only 9 km from city A APP. Therefore, its potential market is greater and this could result in higher car sales AN. • Passing trade /revenue; located on a busy road APP , so likely to increase number of targeted customers (in cars) AN Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>Analyse <u>two</u> difficulties CC may have when valuing inventory.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
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Question	Answer	Marks
2	**Indicative content** **AO1 Knowledge and understanding** Definition of inventory: all the goods and materials a business holds to support production, facilitate operations, and ultimately, create sales. Knowledge and understanding of difficulties a business might have when valuing inventory, including: • Market price fluctuations (supply and demand) • Inaccurate inventory counts • Depreciation • Choosing the right valuation method (Net realisable value - accept, but do not require FIFO, LIFO etc.) • Changing legislation/regulations • Inflation • Damage/theft/obsolescence • Tax liability • Financial reporting • New product/model/car development **AO2 Application** *Limited application,* APP *applies knowledge to CC once.* *Developed application,* APP + APP *applies knowledge to CC twice.* *Max one* APP *for application for the first element and max one* APP *for application for the second element.* Application is making use of relevant case information not just repeating it. • Manufacturers are likely to be updating their models regularly and may bring out new models regularly and this will impact depreciation of CC inventory • CC holds inventory of different types of cars – gas (petrol) and electric – with different rates of depreciation • Inflation in country W is currently high affecting the value of inventory • Use of table 1.2; $1 250 000 in 2022 (with 4.52 inventory turnover) $1 500 000 in 2023 (with 4.67 inventory turnover) $2 000 000 in 2024 (with 7.75 inventory turnover) $2 500 000 in 2025 (with 8 inventory turnover)	

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Question	Answer	Marks
2	• Value of current inventory (Table 1.3) at cost: Model A – $288 000 Model B - $360 000 Model C - $360 000 Model D – $594 000 Model E - $708 000 Total value - $2 310 000 **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Market price fluctuations (supply and demand); Prices are a reflection of the level of supply and demand. As these change, the value and price of the product will also change AN. Therefore, it will be more difficult for CC to budget its future profit. L2 AN (Bought a car for $10 000 planning to sell for $12 000 but due to market change prices have dropped to $9000. So CC planned to make a profit of $2000 but the NRV now shows a loss of $1000). • Depreciation; since each car (inventory) will lose value as it ages, cars which are kept in inventory for any length of time are likely to lose value from when they were first purchased from a supplier K . This is likely to reduce the price of each car AN and therefore reduce revenue and profit L2 AN. • Using the right valuation method. CC should value its inventory at cost price or net realisable value (whichever is lower) K . If valued at NRV, CC may not value their inventory correctly, which could lead to decisions being made on inaccurate accounts AN having long term implications for the financial management of CC. L2 AN • New product development; causes obsolescence as manufacturers bring out new models, this is likely to devalue the previous model AN, possibly reducing the value of a car below cost price (especially if the car has been in held for a long time) – reducing CC's revenue and profit L2 AN. Accept all valid responses.	

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Question	Answer	Marks
3(a)	**Using the data from Figure 1.2, calculate the span of control for the showroom sales manager.** Span of control - the number of subordinate employees directly accountable to a manager. Showroom Sales Manager has a span of control of 11 (1) Answer = 11 (1)	**1**
3(b)	**Using the data from Table 1.1, calculate the accounting rate of return (ARR) for the proposed Enterprise Resource Planning (ERP) programme.** 1 mark max for any or all of the following $\text{ARR} = \frac{\text{average profit}}{\text{average investment}} \times 100$ (1) **OR** Total profit = ($125 000) + $25 000 + $50 000 + $50 000 + $60 000 = $60 000 (1) **OR** Average investment = ($125 000 + $0) / 2 = $62 500 (1) 2 marks max for any or all of the following Average profit = $60 000 / 4 years = $15 000 (2) **OR** $\frac{\$15\,000}{\$62\,500} \times 100$ (2) = 24% or 24 (3) **Note for examiners:** 46.25 or 46 250 (1 mark) 46.25 / 62.5 × 100 = 74% (2 marks) 15 / 125 × 100 = 12% (2 marks) Own Figure Rule	**3**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>

Evaluate whether the directors should delayer CC's organisational structure.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
3(c)	Responses may include **AO1 Knowledge and understanding** Knowledge and understanding of delayering, its benefits and limitations including: • The removal of a level of management • Makes the organisational structure wider • Increased span of control • Reduces a barrier to communication • Typically used for middle-managers • May increase the autonomy of the workers (less supervision) • Reduce the costs of employment (less employees) • May speed up decision making • May increase employee engagement and motivation • Structure may be more agile and allow for greater organisational flexibility • Potential for redundancies • Increased workload for remaining employees • Loss of experience • Less oversight of business decision making.	

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Question	Answer	Marks
3(c)	**AO2 Application** *Limited application,* APP *applies knowledge to CC once.* *Developed application,* APP + APP *applies knowledge to CC twice.* Application is making use of relevant case information not just repeating it. • One showroom sales manager and one internet sales manager being considered for redundancy • Unclear which directors the managers are currently answerable to. • Use of Figure 1.2, including: MD span of control – 5 Directors span of control – 2 Showroom sales manager span of control – 11 (OFR from **Q3(a)**) Internet sales manager – 6 • Purchase of ERP programme to take over some of the managers' functions • ERP programme costs $125 000 • ERP programme has a lifetime of four years with no residual value • ERP programme has an ARR of 24% (OFR from **Q3(b)**) • ERP programme has a payback of 3 years	

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Question	Answer	Marks
3(c)	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* Arguments for the delayering, including: • Reduced (ongoing) labour costs from the redundancy of the two managers will reduce fixed costs AN and therefore increase profitability L2 AN. • Quicker communication (shorter chain of command) from less levels for messages to move between, which may lead to faster and better decision making AN – leading to improved marking and increased sales and profit L2 AN. • Increased opportunities for delegation lower in the organisation and some control may pass to subordinates which may increase the motivation of the employees AN – increased quality of customer service, increased revenue and profit L2 AN. • Employees may feel 'closer' to the directors, which may increase motivation AN. • Increased flexibility/agility for the organisation as it may be able to adapt to market and economic changes more easily than before AN. Employees will be able to feed back to directors about these changes leading to better decision making – increased revenue and profit L2 AN. Arguments against delayering, including: • Redundancy of the two managers may increase business costs in the short term due to redundancy payments AN resulting in increased cash outflows from CC L2 AN . • Initial cost of the ERP programme will increase CC's cash outflows which may result in liquidity issues for CC AN. • Employees who are left at CC may fear their jobs will be made redundant, reducing motivation, AN which may decrease productivity/sales L2 AN – reducing profit. • Loss of experience as the two managers will have a great deal of experience from CC – may lead to increased costs and reduced profit AN. • Directors will have a wider span of control with no clear lines of who is managing which departments. This may lead to uncoordinated decision making and confusion AN which may affect CC's customers and lead to a poor reputation and lower sales and profit L2 AN.	

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Question	Answer	Marks
3(c)	**AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • However statements after analysis showing an alternative view of the point being explained • 1 EVAL for an answer showing an undeveloped but balanced view. • A justified judgement whether (or not), CC should delayer its organisational structure. • What the judgement might depend upon, such as; objectives of the firm, changes in external influences, the actions of competitors, the skill of the remaining employees etc. • The extent to which delayering may be suitable for CC. • Different perspectives over whether CC should delayer its organisational structure, including; Shareholders – may only be interested in the short-term and therefore may benefit from cost savings of delayering and less concerned about the long-term impacts on decision making and revenue. Customers – unlikely to encounter this issue, except when something goes wrong (‘may I speak to the manager’). If there are no managers available, will the directors be willing to take over this customer facing role? Accept all valid responses. Evaluation L3 example Olivia and her board of directors must carefully consider all potential impacts before deciding to delayer CC. The finance director’s suggestion may be aimed at cost cutting and facilitating investment in ERP software, but the sales managers and ERP play very different business roles. ERP will be able to take over some of the administration and resource planning work but not the customer interaction, that is so important in a retail car business. The loss of the sales managers may lead to customer dissatisfaction and less sales of cars, due to less personal service. However, if the sales teams have the experience and skills needed they may be able to take on some of the responsibilities. There is also the increased responsibility on other directors to be considered, as well as the overall objectives of CC. If the vision is to downsize human resources and upsize reliance on technology then the delayering decision may be a first step.	

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Question	Answer	Marks
4(a)	**Using the data from Table 1.2, calculate the change in CC's rate of inventory turnover between 2024 and 2025.** Inventory turnover = $\frac{\text{cost of sales}}{\text{Average inventory}}$ (1 mark if no accurate calculation shown) 2024: 15 500 / 2000 = 7.75 **OR** 2025: 20 000 / 2500 = 8 (2) 7.75 and 8 (3) Answer = 8 – 7.75 = 0.25 (4) OR 3.23% 0.25% (3) Note for examiners: Where inventory turnover days has been calculated award the following: Average inventory / cost of sales × 365 (0) 2024: 200 / 15 500 × 365 = 47.1 (days) (1 mark) 2025: 2500 / 20 000 × 365 45.6 (days) (1 mark) 45.6 – 47.1 = –1.5 (decrease of 1.5 days) (3 marks) Allow appropriate rounding in calculation Own Figure Rule	**4**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

Evaluate the importance for CC of forecasting sales.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
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<tr><td>0</td><td>0 marks
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No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
4(b)	**Indicative content** **AO1 Knowledge and understanding** Knowledge and understanding of the need/importance of forecasting sales, including: Knowledge of sales forecasting – reference to time series analysis / moving averages / Delphi method (panel of experts) • To understand the need/demand for inventory • To understand the need for labour • To better forecast cashflow • To budget (commission, peaks troughs) • To predict peak and non-peak times for sales and compare with capacity • To enable good pricing decisions (supply and demand) • To benchmark against competitors • To set sales targets • To avoid holding too much, or too little inventory **AO2 Application** *Limited application,* APP *applies knowledge to CC once.* *Developed application,* APP + APP *applies knowledge to CC twice.* Application is making use of relevant case information not just repeating it. • Two competitor car showrooms within 5kms • Models being launched by manufacturers (make forecasting more difficult) • Significant increase in country W's GDP over the last five years • 35% growth in EV models (how sustainable?) • Country W has high inflation (more difficult to forecast sales) • Showroom capacity is 70 cars • Proposal that both sales managers are made redundant • Proposal for a new ERP programme to take over most of the managerial functions currently performed by the two middle managers • CC held an average of 2.5m inventory in 2025	

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Question	Answer	Marks
4(b)	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* **Advantages of sales forecasting, including:** • Managing cashflow; forecasting allows CC to manage the peaks and troughs in seasonal cash flows and therefore to arrange finance as required AN avoiding liquidity problems L2 AN. • Improved inventory management; Tofua is concerned about the quantity of inventory APP. Sales forecasting could enable CC to reduce inventory held but still meet customer demands AN thus reducing the opportunity cost of holding inventory L2 AN. • Will help with workforce planning enabling CC to prepare for anticipated increase in demand AN by recruiting mechanics APP in time and thus reduce any potential customer dissatisfaction which could reduce CC's reputation L2 AN. **Limitations of sales forecasting, including:** • Requires significant historical data, but CC has less than two years of sales data at the new showroom APP, so the directors may make poor decisions AN – leading to a weak marketing mix and lower revenue and profit L2 AN. • If the forecast is inaccurate then this could result in overstocking of cars AN which would increase the costs of CC and result in higher depreciation prior to sales L2 AN.	

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Question	Answer	Marks
4(b)	**AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • However statements after analysis showing an alternative view of the point being explained • 1 EVAL for an answer showing an undeveloped but balanced view. • A justified judgement of the need/importance for CC of forecasting sales. • What the judgement might depend upon, such as; objectives of the firm, changes in external influences, the actions of competitors, the skill of the employee etc. • Markets are dynamic and unpredictable, therefore, to be useful sales forecasts need to be revised frequently to take account of the changing external environment. Accept all valid responses. Evaluation L3 example Sales forecasting is very important in all retail businesses, especially those that face seasonal demand and frequent update of car models, such as CC. Forecasting using past sales figures and keeping in mind external influences, such as trends in incomes/GDP will help CC to plan resources and have enough inventory, and range of vehicles to meet demand effectively. However, in this case, the new showroom is a recent move and most past sales data will relate to the previous location, so may not be completely relevant. Customer needs in this dynamic market for cars also change quickly, so there will be a need to continually update forecasts in order to be useful. Market research will be as important to keep in touch with the latest trend in car sales, such as an increase in demand for electric cars.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>

Evaluate the extent to which economic factors may impact CC's decision making.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
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No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
5	**Indicative content** **AO1 Knowledge and understanding** Knowledge and understanding of economic factors, including: • Economic factors influence demand and supply in the economy. • Factors may include: - Level of unemployment, - Rate and volatility of inflation, - Rate of economic growth – change in GDP - Government policies used to achieve macroeconomic objectives (monetary policy, fiscal policy, supply-side policy and exchange rate policies) **AO2 Application** *Limited application,* APP *applies knowledge to CC once.* *Developed application,* APP + APP *applies knowledge to CC twice.* Application is making use of relevant case information not just repeating it. • GDP in country W has increased significantly in the last five years link to impact on demand for cars • Price of gas (petrol) • In 2024, CC purchased a large plot of land on a busy road link to GDP growth • Investment in showroom was financed by a bank loan link to interest rates • Proposal to invest in an ERP programme link to interest rates • Cleaners paid country W minimum wage link to inflation • High inflation rate in country W link to demand for cars and wage demands • Mechanics paid a relatively high salary due to a skills shortage in country W	

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Question	Answer	Marks
5	**AO3 Analysis** *Limited analysis* AN *– candidate shows analysis of the impact of economic factors(s) on CC.* *Developed analysis* L2 AN *– candidate links impact to decision made by CC.* Analysis of impacts of economic factors may include: • Economic growth may lead to greater consumer income in country W, which is likely to lead to more purchasing of normal and luxury goods AN. (Decision) Therefore, CC may decide to stock more expensive car models such as EVs L2 AN • Higher incomes as a result of economic growth may result in a decrease in the demand for lower priced cars (gas), but an increase in higher priced cars (electric). Therefore, CC may need to discount prices of gas models in order to move inventory L2 AN • High level of inflation may impact CC's business costs. High inflation is likely to lead to employees demanding higher wages, in CC and higher prices from suppliers AN. This may result in CC making employees redundant to control costs and/or negotiate with car manufacturers for better deals L2 AN. • A depreciation in country W's exchange rate will impact the cost of importing cars AN and therefore CC may decide to reduce the amount of inventory held to reduce cash outflows. expensive in other countries due to fluctuations in the exchange rate L2 AN.	

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Question	Answer	Marks
5	**AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment or focus of judgement is only on the impact of economic factors on CC.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment linking economic factors to impact on decisions.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context linking economic factors to impact on decisions.* **Note** To achieve L2/L3 EVAL marks the candidate must show judgement / balanced argument of the likely impact of economic factors on CC decision making. • However statements after analysis showing an alternative view of the point being explained • 1 EVAL for an answer showing an undeveloped but balanced view. • The extent to which economic factors may have an overall positive or negative effect on CC (L1 EVAL). • A justified judgement of the likely impact of economic factors on CC decision making. • What the judgement might depend upon, such as; objectives of the firm, changes in other external influences, the actions of competitors, the skill of the directors, accuracy of sales forecasts, price elasticity of demand, income elasticity of demand etc. Accept all valid responses. Evaluation L3 example Economic factors will impact all decisions made by CC. A profit driven retail business needs to keep up with macro-economic trends such as inflation and economic growth. There are also government policies to consider. If economic trends are negative for real incomes, then some consumers may 'trade down' to cheaper car models. However, demand at the top end for very luxurious car models may be 'inflation proof' to some extent as very high income will still buy. However, there are also other external factors that are as important, such as government policies towards the change to electric vehicles. If subsidies are offered to consumers, then more will switch away from petrol models. Therefore, CCs decisions will be impacted by a wide range of external factors, not only those related to economic changes.	

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International Education

Cambridge International AS & A Level

BUSINESS **9609/33**

Paper 3 Business Decision-Making **May/June 2026**

INSERT **1 hour 45 minutes**

8340384987-I

INFORMATION

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

alpha

This document has **4** pages. Any blank pages are indicated.

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2

Reeta Roy (RR)

RR is a manufacturer and retailer of luxury beauty products. Reeta Roy started RR in 2016 after managing several small enterprises with limited success.

Using her creativity, Reeta produced the first batch of soap in her kitchen. Reeta used fresh ingredients from her home region of country X. Customer feedback was positive and Reeta decided to form a private limited company. RR rented a local factory to start production. The location of the factory was important as Reeta's business plan was to work with local farmers who could supply fresh ingredients. RR decided not to use machines and instead recruited skilled workers to hand-make its products.

Reeta believes the culture of RR is essential in creating a luxury product. Reeta expects employees to share her pride in RR's products whether they work in manufacturing or have face-to-face contact with the final consumer.

RR's first retail store opened in 2017 selling only RR products. By 2026, RR had opened 22 retail stores in country X, with more planned.

Reeta's leadership

Though employees admire Reeta's determination, energy and charisma, RR has a high labour turnover of graduate level managers due to limited promotion opportunities and training. Reeta believes that leaders are born with the traits and abilities to lead.

Supply issues

The success of RR's brand is built on using local ingredients. Sourcing quality ingredients to meet demand is a constant problem. RR occasionally has to accept a variation in the standard of ingredients. Some of RR's products made using these ingredients have to be rejected after quality control. The operations manager has suggested that RR should introduce lean production.

Country X's economic performance

Since 2016, there has been rapid economic growth in country X, see Table 1.1.

Table 1.1 Country X economic data

	2016	**2025**
unemployment (%)	8.2	4.3
exports ($bn)	309	528
inflation (%)	1.6	4.1
average annual income ($ per person) adjusted for inflation	5100	9550
average annual luxury beauty products demand ($ per person) adjusted for inflation	49.4	143.2
income elasticity of demand for luxury beauty products	1.2	**Q3(b)**

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International expansion

RR plans to expand internationally. Reeta wants RR to expand by opening retail units in other countries. However, the marketing team believes that RR should start selling its products using information technology (IT), for example, by using RR's website and social media. Reeta believes that selling online will have a negative impact on RR's luxury brand. Reeta thinks that the consumer's positive interaction with the retail staff is important.

Table 1.2 shows some information about the sales of luxury beauty products in country X.

Table 1.2 Sales of luxury beauty products in country X ($m)

	2025	2030 (forecast)
total market online sales	260	584
total market retail store sales	763	800
RR sales	30	32

A survey of RR's consumers found that 60% said visiting an RR store was a key factor in their purchase decisions and that 45% would consider buying RR products online.

The marketing team has produced an investment appraisal for its IT proposal, see Table 1.3.

Table 1.3 Investment appraisal for the marketing team's IT proposal

year	annual net cash flow ($m)	discount factors@15%
initial investment	–8.0	1.000
1	2.0	0.870
2	3.0	0.756
3	4.0	0.658
4	5.0	0.572
The IT proposal investment has zero residual value.		

FSA

FSA is a multinational company and the market leader in beauty products. FSA is aiming to add to its portfolio of luxury brands. RR's growing reputation has come to the attention of FSA's Chief Executive, Gabriel Laurent. Gabriel met with Reeta to discuss purchasing 20% of RR's share capital. Gabriel was impressed by Reeta's vision for RR and her leadership values. Reeta has placed a high financial value on RR's shares which is far greater than shown by RR's latest published accounts. FSA's Chief Financial Officer (CFO) is concerned by RR's lack of detailed accounting data including financial ratios. However, Gabriel is convinced that buying 20% of RR's shares at the value proposed by Reeta is a unique investment opportunity for FSA.

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CAMBRIDGE
International Education

Cambridge International AS & A Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

8340384987

BUSINESS **9609/33**

Paper 3 Business Decision-Making **May/June 2026**

1 hour 45 minutes

You must answer on the question paper.

You will need: Insert (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen. Do **not** use correction fluid or tape.
- Do **not** write on any bar codes.
- You may use an HB pencil for any diagrams, graphs or rough working.

INFORMATION

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

This document has **12** pages. Any blank pages are indicated.

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1 Analyse **two** likely benefits to RR of introducing lean production.

..... [8]

2 Analyse **one** advantage and **one** disadvantage for RR of Reeta's leadership.

..... [8]

3 **(a)** Using the data in Table 1.1, calculate the percentage increase in the exports of country X between 2016 and 2025.

..... [1]

(b) Using the data in Table 1.1, calculate the income elasticity of demand for luxury beauty products in 2025.

..... [3]

(c) Evaluate the likely impact on RR of the rapid economic growth in country X between 2016 and 2025.

..... [12]

4 **(a)** Using the data in Table 1.3, calculate the net present value (NPV) of the information technology (IT) proposal investment.

..... [4]

(b) Evaluate whether RR should invest in the information technology (IT) proposal to support its international expansion.

..... [12]

5 Evaluate the usefulness of accounting data to FSA in the decision to purchase shares in RR.

..... [12]

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International Education

Cambridge International AS & A Level

BUSINESS **9609/33**

Paper 3 Business Decision-making **May/June 2026**

MARK SCHEME

Maximum Mark: 60

Published

This mark scheme contains the instructions and marking guidance that our examiners used to mark candidate responses for this component.

Before they start marking, examiners complete a standardisation process. They review a range of candidate responses and discuss the mark scheme in detail to agree which answers can and cannot be accepted. Examiners award marks where it is clear that candidate responses have met the requirements of the mark scheme. These requirements may vary between different components or different versions of the same component, depending on the exact requirements of the question and the candidate responses seen during the standardisation process.

Sometimes, our mark schemes may allow marks to be awarded to responses which contain elements that are factually incorrect or for content not covered by the syllabus. We do this in response to the demands of a specific question to support candidates and make sure that our assessments are fair. However, these allowances should not be used as a guide for teaching and learning.

We cannot discuss the mark scheme with schools, and we recommend that schools read the mark scheme together with the assessment material and the Principal Examiner Report for Teachers.

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General marking principles

All examiners must apply these marking principles when marking candidate responses.

1	Examiners must award marks for each response in line with: • the specific **content** defined in the mark scheme • the specific **skills** defined in the mark scheme or in the level descriptions • the **standard of response** required as exemplified by the standardisation scripts.
2	Examiners must award **whole marks** (not half marks, or other fractions).
3	Examiners must award marks **positively**. This means that: • marks are not deducted for errors or omissions • marks are awarded for correct/valid answers as defined in the mark scheme and also for **other valid answers** which go beyond the scope of the syllabus and mark scheme referring to your team leader as appropriate • the quality of spelling, punctuation and grammar are judged **only** when the mark scheme indicates that these features are **specifically assessed** in the question. However, the meaning of all responses must be unambiguous.
4	Examiners must **consistently** apply the requirements of the mark scheme and any rules for what to do when candidates have not followed instructions correctly.
5	Examiners must use the **full range of marks** defined in the mark scheme, unless limited by the quality of the candidate responses seen.
6	Examiners must award marks according to the mark scheme and **must not** award marks with grade thresholds or grade descriptions in mind.

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Social Sciences-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. corrasion/corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	For objective points that are correct.
	For objective points that are wrong.
TV	When the candidate has attempted something, but the mark/skill has not been awarded as the answer is not sufficiently clear.
Highlighter	To highlight a point or section of an answer that justifies the mark/annotation.
BOD	When the candidate has attempted something, and the mark/skill has been awarded.
SEEN	To show a page/section has been seen/read.
REP	The repetition of a previous point in a response **or** the candidate is copying the case study/data.
OFR	The own figure rule applies – acts as a mark/tick.
K	When AO1 has been awarded. The number of Ks should match the mark awarded.

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Annotation	Meaning
APP	When AO2 has been awarded. The number of APPs should match the mark awarded.
AN	When AO3 at Level 1 has been awarded.
L2 AN	When AO3 at Level 2 has been awarded.
EVAL	When AO4 at Level 1 has been awarded.
L2 EVAL	When AO4 at Level 2 has been awarded.
L2	When AO3 or AO4 has been awarded at Level 2.
L3	When AO4 has been awarded at Level 3.

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Guidance on using levels-based marking

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The examiner should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:

- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range.
- If the candidate's work **just** meets the level statement, award the lowest mark.
- L2 & L3 must be clearly annotated on the response at the point where the level is achieved.

Assessment objectives

AO1 Knowledge and understanding
Demonstrate knowledge and understanding of business concepts, terms and theories.

AO2 Application
Apply knowledge and understanding of business concepts, terms and theories to problems and issues in a variety of familiar and unfamiliar business situations and contexts.

AO3 Analysis
Analyse business problems, issues and situations by:
- using appropriate methods and techniques to make sense of qualitative and quantitative business information
- searching for causes, impact and consequences
- distinguishing between factual evidence and opinion or value judgement
- drawing valid inferences and making valid generalisations.

AO4 Evaluation
Evaluate evidence in order to make reasoned judgements, present substantiated conclusions and, where appropriate, make recommendations for action and implementation.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>
Analyse <u>two</u> likely benefits to RR of introducing lean production.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
Note:
• If more than two benefits are referred to, reward the best two.
All annotation (K APP AN L2) should be in the left margin.
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
1	**Responses may include:** **AO1 Knowledge and understanding** Definition of lean production: any business process that aims to reduce waste. Producing a quality output with fewer resources (max K1 mark) This could include: • Empowerment of workers • Efficient use of capacity • JIT • TQM, including checking of quality by workers at each production stage • Quality circles • Kaizen – continuous improvement. Knowledge of benefits of a lean production approach Benefits include: • Reduced inventory levels • Decreased quantity of defective goods • Closer working relationships with suppliers e.g. more regular visits to monitor supplier's working practices, discuss product development etc • Improved quality • Improved customer service • Reduced operating costs **AO2 Application** *Max one* APP *for application for the first element and max one* APP *for application for the second element.* Application is making use of relevant case information not just repeating it. • High quality and fresh materials are essential for RR's marketing strategy. • Wastage levels of beauty product ingredients could be costly unless inventory levels are closely monitored. • Many of the ingredients in RR's products are fresh and unique to the region it operates from. • RR's USP depends on high quality throughout the production process from ingredients to retail sales.	

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Question	Answer	Marks
1	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Consistent high-quality products therefore meeting customer expectations AN and so increasing sales L2 AN. • Lean production methods will reduce wastage of expensive fresh ingredients therefore reducing unit costs AN resulting in an improvement in operational profit margins L2 AN • Using JIT reduces the storage space required for stock, therefore this will reduce warehousing costs for materials and finished products AN which will potentially increase profit L2 AN. Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>
Analyse <u>one</u> advantage and <u>one</u> disadvantage for RR of Reeta's leadership.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
Note:
• Only reward one advantage and one disadvantage
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
2	**Responses may include:** **AO1 Knowledge and understanding** Definition of leadership (max K1 mark): The ability to inspire, guide, and influence a team to achieve organizational goals. It combines strategic vision, emotional intelligence, and the capacity to drive innovation Theories of leadership: • Great person • Trait • Behavioural • Contingency • Power and influence • Transformational • Management styles – autocratic versus democratic • Hard v soft HRM **AO2 Application** *Max one* APP *for application for the first element and max one* APP *for application for the second element.* Application is making use of relevant case information not just repeating it. **Advantages** • Reeta seems to demonstrate many trait theory qualities e.g. determination and energy, drive and motivation to succeed, good judgement and decision-making skills • Until now, Reeta might be considered a transformational leader e.g. inspiring employees towards achieving the leader's vision. • Reeta has a clear vision for RR e.g. only local supply chain, only sales via retail stores, the importance of all employees and customer service. • Her leadership qualities appear to have been successful e.g. the interest from FSA to acquire a share of RR. • Reeta has established a culture of employees sharing pride in RR's products. **Disadvantages** • Perhaps of late, Reeta has been less effective as a transformational leader e.g. ignoring online sales opportunities despite her managers' views. This could be seen as not offering new challenges for her managers and hardly transformational.	

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Question	Answer	Marks
2	• Her leadership approach might be the reason for the staff turnover problems. • Her leadership qualities are failing to use the full potential of RR's management team. Are they beginning to question her 'great person' leadership qualities? • Reeta would appear to be an autocratic leader who expects her employees to have pride in RR products, but does not offer training or promotion opportunities **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* **Advantages** • Reeta's decisive leadership has developed RR into a well-respected brand AN this has led to growth in stores and sales L2 AN. • Reeta's decisive workforce planning has enabled her to carry out her vision for RR AN the focus on product quality and customer service seems to have contributed to RR's growth L2 AN. • Reeta's decisive operational management decisions have delivered the high-quality products she planned for AN as a result customer satisfaction levels are high and so there have been increased sales L2 AN. • Reeta's leadership qualities are attracting potential investment from a market leader this could lead to significant growth for RR AN **Disadvantages** • Reeta's judgement with regard to marketing decision making, such as not selling online, might mean that further opportunities have been missed/delayed AN resulting in lower market share and profitability L2 AN. • Reeta's lack of leadership qualities/ autocratic management style might be the reason for the increasing staff turnover leading to a loss of talented managers AN and ultimate decline in RR's sales and profitability L2 AN. • Reeta's dogmatic operational management decisions such as only using local ingredients might lead to lack of materials for production and/or insufficient product output AN this could be disastrous with a rapid decline in sales, customer satisfaction, profitability and cash flow crisis L2 AN. Accept all valid responses	

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Question	Answer	Marks
3(a)	**Using the data in Table 1.1, calculate the percentage increase in the exports of country X between 2016 and 2025.** **Indicative content** Percentage change = (2025 Exports–2016 Exports(/2016 Exports)) × 100 = (528–309(/309)) × 100 = (219/309) × 100 = 70.87% OR 70.9% OR 71% (1) **Note:** % not required	**1**
3(b)	**Using the data in Table 1.1, calculate the income elasticity of demand for luxury beauty products in 2025.** **Indicative content** Responses may include: Income Elasticity of Demand= % change in demand/ % change in consumer incomes (1 mark if no relevant calculation) % change in demand= (143.2-49.4/49.4) × 100 = 93.8/49.4 × 100 = 189.88% (1) % change in income= (9550-5100/5100) × 100 = 87.25% (1) Income elasticity of demand = 189.88/87.25 = 2.176 (3) Accept: 2.18 or 2.2 Note: Incorrect units e.g.% (2) OFR	**3**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>

Evaluate the likely impact on RR of the rapid economic growth in country X between 2016 and 2025.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
3(c)	**Responses may include:** **AO1 Knowledge and understanding** Understanding of economic growth and consequences / impacts including: • Economic growth means that a country is becoming richer. • Economic growth is measured by an increase in real level of GDP. • GDP increases as a result of increases in the physical output of goods and services in an economy. • Real GDP growth raises average living standards. • Higher GDP usually results from increased employment levels. • Economic growth is likely to lead to reduced unemployment levels. • Economic growth may lead to inflation. **AO2 Application** *Limited application,* APP *applies knowledge to RR once.* *Developed application,* APP + APP *applies knowledge to RR twice* Application is making use of relevant case information not just repeating it. • Unemployment % rate has been halved in just nine years • Exports have increased by 70.87% • % consumer inflation has increased by 2.5% points • Average annual income has increased by 87.3% in real terms • Average luxury goods demand has increased by 189.9% in real terms • Income elasticity of demand has risen to 2.18 from 1.2. **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* *Economic growth may result in:* • Declining unemployment rates may result in recruitment issues for RR this might lead to a lower quality of candidates with a lack of necessary skills AN which could impact on RR's revenue and profitability L2 AN. • The increase in consumer inflation could impact on RR's costs e.g. materials and wage demands from employees AN this could lead to lower profitability if RR is unable to pass on the increase in costs to consumers L2 AN • The significant increase in average incomes/luxury goods demand/income elasticity of demand is likely to have a positive impact on RR's growth plans AN this means that sales revenue is likely to grow along with profitability assuming costs can be controlled. L2 AN.	

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Question	Answer	Marks
3(c)	**AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • 'However' statements after analysis showing an alternative view of the point being explained • 1 EVAL for an answer showing an undeveloped but balanced view. • The extent to which economic growth may have an overall positive or negative effect on RR (L1 EVAL). • A justified judgement of the likely impact of economic growth on RR. • The impact of the declining unemployment rates depends upon whether the regional unemployment rates are higher or lower than the national rates. RR's reputation for treating employees well with good pay and conditions might well reduce the impact of the decreasing unemployment rates. • The rapid growth in exports is unlikely to have a direct impact on RR unless the business decides to change it's marketing strategy. Therefore, this opportunity might be lost and so this important element of economic growth will be insignificant. • The increase in consumer inflation might have a reduced impact on RR if its suppliers have been tied into long term contracts. However, RR is likely to face wage demands especially if the supply of labour is reduced by the lower unemployment rates. • The increase in consumer inflation is likely to lead to tighter monetary policy in Country X with increases in central bank interest rates. If RR is funding growth through borrowing, the business will face higher interest charges on loans and overdrafts. • The rising average incomes and demand for luxury goods will only be an opportunity if RR has the capacity to meet the level of demand. The reluctance to sell its products online might also reduce the positive impact on RR. The attractiveness of the growth in luxury goods might well lead to greater competition due to new domestic/international business entrants to the beauty and wellness market. • Whether the rapid economic growth has a positive or negative impact on RR depends upon whether the business can adapt to take full advantage of the opportunities (exports, luxury goods demand) and minimises the threats (recruitment, wage inflation, materials inflation, new entrants to the market). Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(a)</td><td>Using the data in Table 1.3, calculate the net present value (NPV) of the information technology (IT) proposal investment.

Responses may include:
<table>
<tr><th>Year</th><th>$ millions</th><th>Discount Factor @ 15%</th><th>Discounted Cash Flow (DCF) ($m)</th><th>DCF ($m) Two decimal points</th><th>DCF ($m) One decimal point</th></tr>
<tr><td>0</td><td>(8.0)</td><td>1.00</td><td>(8.00)</td><td>(8.00)</td><td>(8.0)</td></tr>
<tr><td>1</td><td>2.0</td><td>0.87</td><td>1.740</td><td>1.74</td><td>1.7</td></tr>
<tr><td>2</td><td>3.0</td><td>0.756</td><td>2.268</td><td>2.27</td><td>2.3</td></tr>
<tr><td>3</td><td>4.0</td><td>0.658</td><td>2.632</td><td>2.63</td><td>2.6</td></tr>
<tr><td>4</td><td>5.0</td><td>0.572</td><td>2.860</td><td>2.86</td><td>2.9</td></tr>
<tr><td></td><td></td><td>Total DCF (Years 1–4)</td><td>9.500</td><td>9.50</td><td>9.5</td></tr>
<tr><td></td><td></td><td>Net Present Value</td><td>1.500</td><td>1.50</td><td>1.5</td></tr>
</table>
Net present value (NPV) = Total discounted cash flows – capital cost (1 mark if no correct calculations).
At least one correct discounted cash flow (DCF) for years 1 to 4 (1 mark)
Cumulative DCF of $9.5m for years 1 to 4 (2 marks)
NPV = $9.5 – $8.0 (3 marks)
NPV = $1.5 million OR 1.5m (4 marks)
Note: $1.5 OR 1.5 (3 marks)
Allow rounding of DCFs to one decimal point or two decimal points, see table.
OFR</td><td>4</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

Evaluate whether RR should invest in the information technology (IT) proposal to support its international expansion.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>12</td></tr>
</table>

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Question	Answer	Marks
4(b)	**Responses may include:** **AO1 Knowledge and understanding** • Direct selling is the channel of distribution where the final consumer buys direct from the manufacturer. Factors in the decision • Online selling allows manufacturer greater control over the relationship with consumers. • Online selling allows manufacturer to offer greater discounts to consumers. • Online selling allows RR to collect accurate primary market research. • Cost of IT investment v cost of opening retail stores • Profitability of each option • Impact on brand image **AO2 Application** *Limited application,* APP *applies knowledge to RR once.* *Developed application,* APP + APP *applies knowledge to RR twice* According to the 2025 market research • Investment cost is $8m • Well over half (60%) felt visiting store was a key factor in their purchase, could support retail store model, against IT investment. • Nearly half (45%) would consider buying online, could be seen as a positive point for IT investment. • Online sales are forecast to increase much faster than in store sales (online 125%, retail store 5%) • The net present value of $1.5m is positive at a discount factor of 15%. • Payback is 2 years and 9 months • ARR is 37.5% **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Income elasticity of demand suggests RR products are considered to be a luxury. This may imply RR's customers don't consider price to be a major factor when making purchases AN This implies that the attraction of lower priced online products from RR might not increase revenue and possibly reduce profitability L2 AN. • 60% of RR customers seem to greatly value visiting a store, which is a concern if RR does go online AN. This could mean that the team's cash flow projections are too positive L2 AN.	

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Question	Answer	Marks
4(b)	• The fact that 45% would consider buying online is better news for the team AN and is positive if the online purchases are in addition to store purchases. This would lead to greater sales revenue and profitability L2 AN. • Online sales for this market are about to boom with a 124.6% increase in just one year AN. This makes online marketing a great opportunity for RR to increase sales and profitability L2 AN. • In store sales for this market are set to increase by just 4.85% in the same period AN. This means that RR's growth opportunities would be far less impressive L2 AN. • RR's sales forecast for 2030 is just $32 million up from $30 million, this is just 6.67% AN. This suggests that RR's sales growth is being constrained by a lack of online presence L2 AN. • The NPV figure of $1.5 million is positive. Basing a decision on this alone means that RR should go ahead with the online project . AN • Online marketing is also an opportunity for RR to begin to export without the set-up costs of retail stores AN this could be a method to gather market information to eventually launch retail stores in countries where online demand is highest L2 AN. **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • 'However' statements after analysis showing an alternative view of the point being explained • 1 EVAL for an answer showing an undeveloped but balanced view. • The extent to which the IT investment may have an overall positive or negative effect on RR (L1 EVAL). • A justified judgement of the likely impact of the IT investment on RR's international expansion. • Evidence from the market research indicates that RR should go ahead with the IT proposal. • The market research evidence is supported by the investment appraisal with a healthy positive NPV of $1.5 million. • However, the final decision must only be made once the quality of the market research information and cash flow forecasts have been reviewed. • The challenge for RR would be to replicate Reeta's vision of customer service to the online market. • Ultimately, the decision lies with Reeta but if she is ambitious as she claims, then using IT to sell online is the best way for RR to grow. Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>
Evaluate the usefulness of accounting data to FSA in the decision to purchase shares in RR.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
</td><td>12</td></tr>
</table>

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Question	Answer	Marks
5	**Responses may include:** **AO1 Knowledge and understanding** Understanding of usefulness of accounting data to FSA's decision • Profitability – profit margins including ROCE and operating profit margin give indication of returns generated by RR. • Liquidity – whether RR faces problems of solvency providing an indication of risk. • Gearing – indication of exposure to risk but also possible returns to shareholders. • Value of net assets of the business. • % of shares owned shows % of business ownership of RR. • Difficulty of valuing intangible assets such as goodwill in accounting data. • Accounts can be window dressed to show more favourable financial performance. **AO2 Application** *Limited application,* APP *applies knowledge to RR once.* *Developed application,* APP + APP *applies knowledge to RR twice* • FSA will become a major shareholder if Reeta agrees to sell 20% of RR's shares. • Growing reputation of RR • CEO of FSA is impressed by Reeta's vision for RR and her leadership values • High financial value placed by Reeta on RR's shares is greater than financial accounts show • RR is a private limited company so accounting data is more limited • RR sales forecast to grow by 6.7% • FSA considering purchasing a 20% stake in RR. FSA will not have a controlling stake. **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* AN L2 AN *– candidate shows two or more links in the chain of analysis.* • Accounting data will show the profitability of RR which will enable FSA estimate future returns that the investment could generate AN, demonstrating whether the high value placed on the shares is realistic and therefore whether FSA should invest. L2 AN. • FSA could calculate the gearing ratio from the accounts. High gearing would indicate that RR has a high proportion of loan capital and is therefore a more risky investment for shareholders AN. However, this would also indicate that there is potential for high shareholder reward if the business is successful as profits would be shared between a relatively small number of shareholders. L2 AN.	

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Question	Answer	Marks
5	• Liquidity ratios would show whether RR faces any likely problems of solvency Low values for the current ratio and/or the acid test ratio would signal to FSA that the investment is more risky as there would be an increased danger of the business being unable to pay debts. AN. • RR has potential for significant growth through changing its marketing strategy to take advantage of the growth in online sales. This will not be reflected in the current accounting data AN. **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • 'However' statements after analysis showing an alternative view of the point being explained • 1 EVAL for an answer showing an undeveloped but balanced view. • Supported judgement as to the usefulness of accounting data to the decision. • Accounting data is important to valuing a business and ensuring that FSA does not pay too much for the shares in RR as it provides quantitative evidence of the profitability and risk involved in the decision. • Factors that the usefulness might depend on: The extent to which acquiring RR will fit into the portfolio of products and brands that FSA sells. The expected growth in the market for luxury beauty products. Trends in the accounting data. Is there sufficient accounting data to make a sound judgement of risk and reward? Value of RRs growing reputation may not be reflected in the accounting data as the shares are not publicly traded so there is no market price. Accounting data may not be very useful as there are qualitative factors that FSA should consider such as the visionary leadership of Reeta which adds value to the business beyond that shown by the raw accounting data about assets and liabilities Accept all valid responses.	

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