Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/23**

Paper 2 Data Response **October/November 2022**

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 2022 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 descriptors 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.

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).

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.

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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.

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 of 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 copying the question onto an Answer Booklet.

Annotation

1 Every question must have at least one annotation e.g. <NAQ> if it is an NR and <X> or <seen> if 0 marks are awarded.
2 Every page of a script must have at least one annotation e.g. <BP> for a blank page.

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(a)(i)</td><td>Define the term ‘revenue’ (line 10).
<table>
<tr><th>Knowledge</th><th>Marks</th></tr>
<tr><td>A correct definition</td><td>2</td></tr>
<tr><td>A partial, vague or unfocused definition</td><td>1</td></tr>
<tr><td>No creditable content</td><td>0</td></tr>
</table>
A correct definition should include the following elements:
• the income received by a business
• for selling products and services.
<table>
<tr><th>Exemplar</th><th>Rationale</th><th>Marks</th></tr>
<tr><td>Selling price × quantity sold</td><td>Both elements</td><td>2</td></tr>
<tr><td>The money received by a business from selling goods.</td><td>Both elements</td><td>2</td></tr>
<tr><td>Income from sales.</td><td>Both elements</td><td>2</td></tr>
<tr><td>Total value of all sales</td><td>Both elements</td><td>2</td></tr>
<tr><td>Money earned due to the payment of price from the customer</td><td>One element</td><td>1</td></tr>
<tr><td>The cash received by a business.</td><td>One element</td><td>1</td></tr>
<tr><td>What a business has to pay to produce goods and services.</td><td>Confusion with costs</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>1(a)(ii)</td><td>

Explain the term 'above the line promotion' (line 6).

Award one mark for each point of explanation:

<table>
<tr><td>C</td><td>Example or some other way of showing good understanding</td><td>1 mark</td></tr>
<tr><td>B</td><td>Through a media/paid for</td><td>1 mark</td></tr>
<tr><td>A</td><td>Communication/advertising/creating awareness to consumers/customers</td><td>1 mark</td></tr>
</table>

Note: Do not award C mark unless A and B marks have been awarded.

Content
Above the line promotion is the use of media to promote a business and reach out to the target consumers.

These include conventional media, television and radio advertising, print as well as internet. This is communication that is targeted to a wider spread of audience and is not specific to individual consumers.

<table>
<tr><th>Exemplar</th><th>Rationale</th><th>Marks</th></tr>
<tr><td>Above the line promotion is where a business advertises (A) using media (B) such as television (C).</td><td>All three elements.</td><td>3</td></tr>
<tr><td>When a business pays another business (B) to communicate (A) about its services, for example when Coke pays a radio station to play an advert (C).</td><td>All three elements.</td><td>3</td></tr>
<tr><td>Tv advertising</td><td>A and B</td><td>2</td></tr>
<tr><td>ATL promotion is a form of communication (A) between the business and the consumer, for example a billboard.</td><td>A only – do not award the C mark unless B has been awarded.</td><td>1</td></tr>
<tr><td>Above the line promotion is when an employee is promoted from within the business.</td><td>Confusion with promotion in employment.</td><td>0</td></tr>
</table>

</td><td>3</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)(i)</td><td>

Refer to Table 1.1. Calculate the break-even number of customers for Venue B.

Rationale	Marks
Correct answer with or without correct working or units	3
Correct calculation of contribution	2
Formula	1
No creditable content	0

Content

$$\frac{\text{Fixed Costs}}{\text{Price – VC per unit (contribution)}} = \$14$$

$$\frac{\$2000}{\$14} = 142.9$$

Answer = 143 customers (3) allow 142.88, 142.9
OFR

Common incorrect answers

Answer	Mark	Rationale
143	3	Correct answer
2000/14 = 142	2	Incorrect final answer
BE = fixed cost/contribution	1	Formula only
142 (no working)	0	

</td><td>**3**</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)(ii)</td><td>

Explain <u>one</u> way in which PM could use break-even data.

<table>
<tr><th>Level</th><th>Knowledge and Application</th><th>Marks</th></tr>
<tr><td>2b
(APP)</td><td>Explanation of one way a business can use break even data in context</td><td>3</td></tr>
<tr><td>2a
(K+K)</td><td>Explanation of one way a business can use break even data</td><td>2</td></tr>
<tr><td>1
(K)</td><td>Identification of way a business can use break even data</td><td>1</td></tr>
<tr><td>0</td><td>No creditable content</td><td>0</td></tr>
</table>

Note: OFR from answer to Q1(b)(i)

Content

- Shows how many customers are needed at each venue (venue B = 143 OFR) so that PM can start making a profit from each venue.
- Helps PM to see which venues are likely to be most profitable (venue B is most profitable).
- Shows PM the likely margin of safety for future venues (venue B MOS = 457 OFR).
- PM can model different prices for different venues and make sure a minimum level of profit is gained.

ARA

<table>
<tr><th>Exemplar</th><th>Mark</th><th>Rationale</th></tr>
<tr><td>Helps in business decision making (k) to see which shows and movies (app) are most popular (kk)</td><td>3</td><td>All three elements seen</td></tr>
<tr><td>Calculates (Shows) the income/revenue needed to make a profit (k) to check the financial health of the business (kk)</td><td>2</td><td>No application</td></tr>
<tr><td>Reach a point where they don’t lose money</td><td>1</td><td>Minimum requirements for break even</td></tr>
</table>

</td><td>**3**</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(c)</td><td>
Analyse <u>two</u> advantages to PM of training the team of customer service workers.
<table>
<tr><th>Level</th><th>Knowledge and Application (4 marks)</th><th>Marks</th><th></th><th>Analysis (4 marks)</th><th>Marks</th><th></th></tr>
<tr><td>2b</td><td>Shows understanding of two advantages of training in context</td><td>4</td><td>APP + APP</td><td>Developed analysis of two advantages of training in context</td><td>4</td><td>DEV + DEV</td></tr>
<tr><td>2a</td><td>Shows understanding of one advantage of training in context</td><td>3</td><td>APP</td><td>Developed analysis of one advantage of training in context</td><td>3</td><td>DEV</td></tr>
<tr><td>1b</td><td>Shows knowledge of two advantages of training</td><td>2</td><td>K + K</td><td>Limited analysis of two advantages of training</td><td>2</td><td>AN + AN</td></tr>
<tr><td>1a</td><td>Shows knowledge one advantage of training</td><td>1</td><td>K</td><td>Limited analysis of one advantage of training</td><td>1</td><td>AN</td></tr>
<tr><td>0</td><td colspan="6">No creditable content</td></tr>
</table>
Content:

Training is the action of improving an employee’s knowledge and/or skills.

Indicative content
AO1 Knowledge and understanding
Knowledge of training may include:
• Increase productivity
• Improve customer service
• Motivate the workers
• reduce customer complaints
• reduce damages
• Improve communication
</td><td>8</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(c)</td><td>

AO2 Application
Application may include:
- show customers to their seats – workers will need to know the seating configuration, where each seat is.
- sell food and drink – PM sells soft drinks, popcorn and other snacks
- assist with parking for those customers who bring a car (valet parking)
- workers may need training on driving customer cars, customer service training etc.

AO3 Analysis
Analysis may include:
- Increased productivity – (increase the sales of food and drink, park customer cars quicker/more efficiently) – may increase revenue.
- Increase customer satisfaction – repeat purchases etc.
- increase employee satisfaction – decrease staff turnover.
- Reduce customer complaints – decrease costs/increase customer retention.
- Reduce damages – decrease costs.
- Improve communication – decrease speed of set up and take down (of screen and seating).

ARA

Examples of how an answer could develop and how it should be annotated.

<table>
<tr><th>K</th><th>APP</th><th>AN</th><th>DEV</th></tr>
<tr><td>Can be more efficient</td><td>When selling food and drink</td><td>Avoids people waiting for a long time</td><td>So they will be more satisfied</td></tr>
<tr><td>Can motivate workers</td><td>In charge of valet parking</td><td>Will offer an excellent service</td><td>And increase the brand reputation</td></tr>
</table>

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

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(d)</td><td>

Evaluate the economies of scale that PM might gain from booking larger venues.

<table>
<tr><th>Knowledge and Application (4 marks)</th><th>Marks</th><th>Annotation</th><th>Analysis and Evaluation (7 marks)</th><th>Marks</th><th>Annotation</th></tr>
<tr><td></td><td></td><td></td><td>Justified evaluation based on arguments in context</td><td>7</td><td>EVAL + EVAL + EVAL</td></tr>
<tr><td></td><td></td><td></td><td>Developed evaluation based on arguments in context</td><td>6</td><td>EVAL + EVAL</td></tr>
<tr><td></td><td></td><td></td><td>An evaluative statement based on arguments in context</td><td>5</td><td>EVAL</td></tr>
<tr><td>Shows understanding of two economies of scale in context</td><td>4</td><td>APP + APP</td><td>Arguments based on two economies of scale in context</td><td>4</td><td>DEV + DEV</td></tr>
<tr><td>Shows understanding of one economy of scale in context</td><td>3</td><td>APP</td><td>Argument based on one economy of scale in context</td><td>3</td><td>DEV</td></tr>
<tr><td>Knowledge of two economies of scale</td><td>2</td><td>K + K</td><td>Limited analysis of two economies of scale</td><td>2</td><td>AN + AN</td></tr>
<tr><td>Shows knowledge of one economy of scale</td><td>1</td><td>K</td><td>Limited analysis of one economy of scale</td><td>1</td><td>AN</td></tr>
<tr><td colspan="4">No creditable content</td><td colspan="2">0</td></tr>
</table>

</td><td>**11**</td></tr>
</table>

1(d)	**Indicative content:** **AO1 knowledge and understanding** Knowledge of economies of scale may include: • Internal economies of scale: – purchasing, – marketing, – financial, – technical, – managerial/specialist, – risk-bearing. • External economies of scale: – concentration, – infrastructure. Note: describing an EoS is allowable as Knowledge **AO2 Application** Application may include: • Moving to larger venues – more seats • Films projected on to big screen. • Temporary contracts for 20 employees at each venue – may need more workers. • Transportation of consumables (food and drink). • Set up and take down of the screen (a day for each). • Six weeks above the line promotion before each venue. **AO3 Analysis** Analysis may include: • Purchasing – able to bulk buy consumables for a venue which may reduce unit cost of these items – increase profitability (assuming same price) or decreased price – increased sales/competitiveness. • Marketing – ATL promotion can be spread over larger venue – reduce average costs – profitability – however will the length and amount of promotion need to be increased for ten times the length of time at a venue? • Financial – limited context – increased venue may lead to a larger business and therefore lower average finance costs. • Technical – may be able to afford a better projector or screen – reducing average costs. May be able to afford more recent films? • Managerial/specialist – can employ workers for a longer time period – training spread over more customers, can afford to employ better salespeople (food and drink), valet parkers, better customer service. • Risk-bearing – costs spread over a larger number of customers – however spread over less venues – the wrong venue might increase risk. **AO4 Evaluation** Evaluation may include: • A judgement over the economies of scale. • Evaluation of the relative impact of different economies of scale. • Elements that the evaluation/judgement might depend upon – local competitors, the chosen venue(s), workers available in the area, length of time needed to market before longer event, availability of larger venues, demand etc.	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(d)</td><td>ARA

Examples of how an answer could develop and how it should be annotated.
<table>
<tr><td>K</td><td>APP</td><td>AN</td><td>DEV</td><td>EVAL</td></tr>
<tr><td>internal</td><td>Purchasing bulk products for the food stand</td><td>Reduces unit cost of item</td><td>Increases profit margins</td><td rowspan="2">The economies of scale will be mostly beneficial for PM
Likely to increase overall profits
However depends upon whether marketing is successful and the film choice is suitable for the audience</td></tr>
<tr><td>Risk bearing</td><td>As allocated fixed costs remain static at $2000</td><td>Increases margin of safety over 143 BE point</td><td>However can reduce atmosphere if larger venues are empty</td></tr>
</table></td><td></td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)(i)</td><td>

Define the term ‘batch production’ (line 17).

Knowledge	Marks
A correct definition	2
A partial, vague or unfocused definition	1
No creditable content	0

A correct definition should include the following elements:
- Separate groups/set amount/limited number – do not accept batch.
- Go through production process together before moving on to the next.

Batch production is where quantities of identical goods are produced in small groups. They go through the production process at the same time. Production is then switched over to allow another batch to be produced.

Example(s) not required.

Exemplar	Mark	Rationale
Batch production is where quantities of identical goods are produced together and then move on to the next process	2	A correct definition
A group of products go from one stage of production to the next together	2	Both elements covered
Produced at the same stage	1	Partial definition
When products are made in small quantities	1	Partial definition
Products made one a time	0	Confusion with job production
Products made continuously and are all the same	0	Confusion with flow/mass production

</td><td>**2**</td></tr>
</table>

Question	Answer	Marks
2(a)(ii)	**Explain the role of an 'entrepreneur'. (line 1)** Award one mark for each point of explanation **C** Example or some other way of showing good understanding. — 1 mark **B** Understanding of one or more roles of an entrepreneur. — 1 mark **A** Knowledge of what an entrepreneur is/knowledge of a characteristic of an entrepreneur — 1 mark **Content** An entrepreneur is a person who sets up a business and takes on financial risks in the hope of profit. Someone who co-ordinates the other factors of production. The role of an entrepreneur includes: Allow any reasonable characteristic of an entrepreneur, for example: • risk taking • innovative • multi-skilled • leader • resilience/able to bounce back • sets up a business • passion • self-confidence • ambition • hardworking • persuasive • aiming for profit (do not allow 'get rich' – too vague) • makes decisions • entrepreneurship is one of the factors of production • organises the factors of production • organises/raises/provides finance • an example of an entrepreneur • Takes initiative – starting a business and planning ahead. • Innovative - changing, adapting and developing their products and the way they do things in a business. • Identifying opportunities - new products and opportunities to expand into different markets. • Organising resources – to effectively manage employees, money, buildings, products and any other business resources.	**3**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)(ii)</td><td>Examples might include, specific businesses/entrepreneurs/decisions made.

<table>
<tr><th>Exemplar</th><th>Rationale</th><th>Marks</th></tr>
<tr><td>A risk taker who sets up a business to make a profit, deciding the business' market and activities</td><td>All three elements.</td><td>3</td></tr>
<tr><td>A risk taker who sets up a business to make a profit,</td><td>All three elements.</td><td>3</td></tr>
<tr><td>Takes the risk of bringing together the factors of production</td><td>A mark for risk and courage and B for brings together the factors of production</td><td>2</td></tr>
<tr><td>Risk taker</td><td>A only</td><td>1</td></tr>
</table>

ARA</td><td></td></tr>
<tr><td>2(b)(i)</td><td>Refer to Table 2.1. Calculate the change in PP's market share between 2020 and 2021.

<table>
<tr><th>Rationale</th><th>Marks</th></tr>
<tr><td>Correct answer with or without correct working or %</td><td>3</td></tr>
<tr><td>Correct calculation of both market share figures</td><td>2</td></tr>
<tr><td>Formula or correct calculation of one market share figure</td><td>1</td></tr>
<tr><td>No creditable content</td><td>0</td></tr>
</table>

Content
$\frac{\text{Business sales volume}}{\text{Market sales volume}} \times 100$

$\frac{0.8\text{m}}{3.2\text{m}} \times 100 = 25\%$ (2020)

$\frac{0.82\text{m}}{4.1\text{m}} \times 100 = 20\%$ (2021)

20% – 25% = –5% (decrease of 5%)

Answer = –5% (3)</td><td>3</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)(ii)</td><td>

Explain <u>one</u> implication for PP of a fall in market share.

<table>
<tr><th>Level</th><th>Knowledge and Application</th><th>Marks</th></tr>
<tr><td>2b (APP)</td><td>Explanation of one implication of a change in market share in context</td><td>3</td></tr>
<tr><td>2a (K+K)</td><td>Explanation of one implication of a change in market share</td><td>2</td></tr>
<tr><td>1a (K)</td><td>Knowledge of one implication of a change in market share</td><td>1</td></tr>
<tr><td>0</td><td>No creditable content</td><td>0</td></tr>
</table>

Note: allow OFR from answer to **Q2(b)(i)**

Context:
- Market is growing but market share is decreasing.
- PP is a public limited company.

Implications may include:
- Increased competition – which PP may need to respond to
- PP may need to market their products more successfully – to remain competitive/relevant
- Need to improve promotion, price, distribution, product differentiation
- PP's share price may fall – lack of investor confidence
- Decrease in demand – if a loss of reputation or image (no context allowed as demand has increased in context)

ARA
Example of how a response may develop and should be marked:

<table>
<tr><th>Identification of an implication (K – 1 mark)</th><th>Explanation (K+K – 2 marks)</th><th>Possible context (APP – 3 marks)</th></tr>
<tr><td>Decrease in competitiveness</td><td>Need to increase marketing budget</td><td>To gain back –5% MS</td></tr>
<tr><td>Reduction in share price</td><td>Lack of investor confidence</td><td>Share price</td></tr>
</table>

</td><td>**3**</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(c)</td><td>

Analyse <u>two</u> factors which may affect PP's choice of a source of finance to build the additional factory.

<table>
<tr><th>Level</th><th>Knowledge and Application (4 marks)</th><th>Marks</th><th></th><th>Analysis (4 marks)</th><th>Marks</th><th></th></tr>
<tr><td>2b</td><td>Shows understanding of two factors affecting source of finance context</td><td>4</td><td>APP + APP</td><td>Developed analysis of two factors affecting source of finance in context</td><td>4</td><td>DEV + DEV</td></tr>
<tr><td>2a</td><td>Shows understanding of one factor affecting source of finance in context</td><td>3</td><td>APP</td><td>Developed analysis of one factor affecting source of finance in context</td><td>3</td><td>DEV</td></tr>
<tr><td>1b</td><td>Shows knowledge of two factors affecting source of finance</td><td>2</td><td>K + K</td><td>Limited analysis of two factors affecting source of finance</td><td>2</td><td>AN + AN</td></tr>
<tr><td>1a</td><td>Shows knowledge of one factor affecting source of finance</td><td>1</td><td>K</td><td>Limited analysis of one factor affecting source of finance</td><td>1</td><td>AN</td></tr>
<tr><td>0</td><td colspan="6">No creditable content</td></tr>
</table>

Note: this question is not asking candidates to analyse possible sources of finance. Analysis should only be rewarded for a factor *affecting* the choice of a source of finance.

ARA

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

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(c)</td><td>
Indicative content
AO1 Knowledge and understanding
Factors may include:

Cost
Flexibility
Control
Use of finance
Level of existing debt
Timeframe

AO2 Application

$1.5m capital
fixed use (for a building)
Emily and Kabir own 50% of shares
factory is to develop product portfolio
short term – can start construction immediately

AO3 Analysis

likely to need a long-term source of finance – affordability of repayments
Building project may over-run – PP may need some flexibility for contingencies
Share issue may make them lose control of the business – ability to make future decisions
extend sales in a growing market – future sales may cover any finance costs
speed of funds could be important – may restrict options

Examples of how an answer could develop and how it should be annotated.
<table>
<tr><th>K</th><th>APP</th><th>AN</th><th>DEV</th></tr>
<tr><td>Cost of finance</td><td>$1.5m</td><td>High monthly repayments</td><td>Increases financial risk</td></tr>
<tr><td>Length of finance</td><td>Long term/mortgage</td><td>May affect gearing ratio adversely</td><td>Which makes sourcing additional finance more difficult</td></tr>
</table>
</td><td></td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(d)</td><td>
Refer to Table 2.2 and other information. Evaluate PP's use of different payment methods for its employees.
<table>
<tr><th>Knowledge and Application (4 marks)</th><th>Marks</th><th>Annotation</th><th>Analysis and Evaluation (7 marks)</th><th>Marks</th><th>Annotation</th></tr>
<tr><td></td><td></td><td></td><td>Justified evaluation based on arguments in context</td><td>7</td><td>EVAL + EVAL + EVAL</td></tr>
<tr><td></td><td></td><td></td><td>Developed evaluation based on arguments in context</td><td>6</td><td>EVAL + EVAL</td></tr>
<tr><td></td><td></td><td></td><td>An evaluative statement based on arguments in context</td><td>5</td><td>EVAL</td></tr>
<tr><td>Shows understanding of two payment methods in context</td><td>4</td><td>APP + APP</td><td>Arguments based on two payment methods in context</td><td>4</td><td>DEV + DEV</td></tr>
<tr><td>Shows understanding of one payment method in context</td><td>3</td><td>APP</td><td>Argument based on one payment method in context</td><td>3</td><td>DEV</td></tr>
<tr><td>Knowledge of two payment methods</td><td>2</td><td>K + K</td><td>Limited analysis of two payment methods</td><td>2</td><td>AN + AN</td></tr>
<tr><td>Shows knowledge of one payment method</td><td>1</td><td>K</td><td>Limited analysis of one payment method</td><td>1</td><td>AN</td></tr>
<tr><td colspan="4">No creditable content</td><td colspan="2">0</td></tr>
</table>
Note: evaluation based on argument in context of any two methods can achieve full marks.
</td><td>11</td></tr>
</table>

Question	Answer	Marks
2(d)	**AO1 Knowledge and understanding** Knowledge* of payment methods may include: • Payment methods: – time based – e.g. hourly rate – salary – paid the same every month – piece rates – paid per outcome – commission – paid per sale made – bonuses – extra payment for hitting targets – profit sharing – dividing profit by getting a percentage – performance related – different levels of pay for different targets *Knowledge must be in the form of definition or understanding as the payment methods are clearly stated in the text **AO2 Application** • Public limited company – answerable to shareholders • Decorated plant pots • Growing market • Creative designers – piece rate • Manufacturing employees – time based • Supervisors – salary • Managers – salary and profit sharing **AO3 Analysis** Creative designers • Payment by results of how many new designs are created – may motivate employees to produce new design – links productivity to output – controls costs. • Piece rate may lead to a focus on quantity not quality – unlikely to lead to creative innovation – more likely to lead to hitting specific targets. Manufacturing employees • Time based, so could be an emphasis on 'going slow' to maximise pay but at a minimal output – may allow them to gain overtime payments but will increase PP's costs • Since pots are made using batch production, other systems may not be suitable as the changeover time would not allow a piece rate system and might be unfair. Time based allows for different times to produce different pots and could be a simple payment method for these workers. May also be in line with minimum wage legislation in country K. Supervisors • Salary allows for a known payment each week/month/year and this may allow PP to plan and forecast cashflow better. May also allow PP to get a higher output from the supervisors for the same payment. • May not motivate the supervisors as their pay is not linked to hours worked or how many are produced. Might be most appropriate as they are not producing products.	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(d)</td><td>
Managers

Mangers are making the functional decisions and therefore the ultimate profitability of the firm is likely to be based on their decision making. Therefore, linking their pay to the profits is likely to motivate them and lead to better decision making.
However, the market share is declining – does this mean that the managers might not get paid. Might this lead to a high staff turnover for managers leading to poor decision making. Loss of profit for the shareholders (including Emily and Kabir) – also less money for reinvestment, especially the new factory.

AO4 Evaluation

A judgement/evaluation over the suitability of different payment methods
Evaluation of the relative benefits/costs of each payment method
Elements that the evaluation/judgement might depend upon – type of worker, objectives of the firm, type of workers (theory X and Y), profitability of the firm, productivity of the different employees etc.

ARA
Examples of how an answer could develop and how it should be annotated.
<table>
<tr><td>K</td><td>APP</td><td>AN</td><td>DEV</td><td>EVAL</td></tr>
<tr><td>Piece rate paid per unit produced</td><td>Plant pots designed</td><td>Motivates employees to create as many designs as possible</td><td>However can lead to a lack of creativity/ care</td><td rowspan="2">PP’s use of different payment methods is mainly beneficial because the employees do different tasks which have different motivational requirements Especially as they are in a dynamic market and need to be flexible</td></tr>
<tr><td>Time based paid per hour</td><td>For decorated plant pots</td><td>Manufacture wouldn’t be rushed</td><td>So quality should improve/be high</td></tr>
</table>
</td><td></td></tr>
</table>