

Cambridge International AS & A Level

ACCOUNTING**9706/22**

Paper 2 Fundamentals of Accounting

May/June 2025**MARK SCHEME**

Maximum Mark: 90

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.

This document consists of **17** printed pages.

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.

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.

**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.

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.

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
✓	Correct and relevant point made in answering the question.
✗	Incorrect point or error made.
LNK	Two statements are linked.
REP	Repetition
A	An extraneous figure
BOD	Benefit of the doubt given.
SEEN	Noted but no credit given
OF	Own figure
Highlight	Highlight
Off page Comment	Off page comment

Abbreviations and guidance

The following abbreviations may be used in the mark scheme:

OF = own figure. The answer will be marked correct if a candidate has correctly used their own figure from a previous part or calculation.

W = working. The working for a figure is given below. Where the figure has more than one mark associated with it, the working will show where individual marks are to be awarded.

CF = correct figure. The figure has to be correct i.e. no extraneous items have been included in the calculation

Extraneous item = an item that should not have been included in a calculation, including indirect expenses such as salaries in calculation of gross profit when there is one **OF** mark for gross profit'

Curly brackets, }, are used to show where one mark is given for more than one figure. If the figures are not adjacent, each is marked with a curly bracket and a symbol e.g. }*

row = all figures in the row must be correct for this mark to be awarded

Marks for figures are dependent on correct sign/direction

Accept other valid responses. This statement indicates that marks may be awarded for answers that are not listed in the mark scheme but are equally valid.

Question	Answer	Marks
1(a)(i)	<p>Calculate the depreciation charge for 2024 on the following non-current assets.</p> <p>Motor vehicles</p> $20\% \times (\$80\,000 - \$28\,400) = \$10\,320 \text{ (1)}$	1
1(a)(ii)	<p>Calculate the depreciation charge for 2024 on the following non-current assets.</p> <p>Furniture and equipment</p> $(15\% \times \$37\,000 = \$5\,550) \text{ (1)} + (15\% \times \frac{1}{2} \times \$8\,000 = \$600) = \$6\,150 \text{ (1)}$	2
1(b)	<p>Calculate the profit or loss on the disposal of the equipment.</p> <p>Carrying amount at time of disposal: $\\$8\,000 - \\$3\,000 = \\$5\,000 \text{ (1)}$</p> <p>Loss on disposal: $\\$5\,000 - \\$3\,900 = \\$1\,100 \text{ loss (1) OF}$</p>	2

Question	Answer	Marks																																																									
1(c)	<p>Prepare the statement of profit or loss for the year ended 31 December 2024.</p> <p>H Limited Statement of profit or loss for the year ended 31 December 2024</p> <table border="1"> <thead> <tr> <th></th> <th>\$</th> <th></th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>570 000</td> <td></td> </tr> <tr> <td>Cost of sales</td> <td>(288 400)</td> <td></td> </tr> <tr> <td>Gross profit</td> <td>281 600</td> <td></td> </tr> <tr> <td>Distribution costs W1</td> <td>(102 140)</td> <td>(4) OF</td> </tr> <tr> <td>Administrative expenses W2</td> <td>(115 790)</td> <td>(5) OF</td> </tr> <tr> <td>Profit from operations</td> <td>63 670</td> <td></td> </tr> <tr> <td>Income / rent received / rent income W3</td> <td>6 400</td> <td>(1)</td> </tr> <tr> <td>Finance costs</td> <td>(6 000)</td> <td>(1)</td> </tr> <tr> <td>Profit before taxation</td> <td>64 070</td> <td></td> </tr> <tr> <td>Taxation</td> <td>(4 200)</td> <td></td> </tr> <tr> <td>Profit for the year</td> <td>59 870</td> <td>(1) OF</td> </tr> </tbody> </table> <p>W1 Distribution costs:</p> <table border="1"> <thead> <tr> <th></th> <th>\$</th> <th></th> </tr> </thead> <tbody> <tr> <td>As given</td> <td>9 800</td> <td></td> </tr> <tr> <td>Carriage outwards</td> <td>2 700</td> <td></td> </tr> <tr> <td>Marketing costs ($\\$24\ 240 - (4/5 \times \\$8800)$)</td> <td>17 200</td> <td>(1)</td> </tr> <tr> <td>Sales staff wages and salaries ($\\$62\ 300 + \text{bonus } \\2400)</td> <td>64 700</td> <td>(1)</td> </tr> <tr> <td>Depreciation motor vehicles ($75\% \times \\$10\ 320$)</td> <td>7 740</td> <td>(1)</td> </tr> <tr> <td></td> <td>102 140</td> <td>(1) OF</td> </tr> </tbody> </table>		\$		Revenue	570 000		Cost of sales	(288 400)		Gross profit	281 600		Distribution costs W1	(102 140)	(4) OF	Administrative expenses W2	(115 790)	(5) OF	Profit from operations	63 670		Income / rent received / rent income W3	6 400	(1)	Finance costs	(6 000)	(1)	Profit before taxation	64 070		Taxation	(4 200)		Profit for the year	59 870	(1) OF		\$		As given	9 800		Carriage outwards	2 700		Marketing costs ($\$24\ 240 - (4/5 \times \$8800)$)	17 200	(1)	Sales staff wages and salaries ($\$62\ 300 + \text{bonus } \2400)	64 700	(1)	Depreciation motor vehicles ($75\% \times \$10\ 320$)	7 740	(1)		102 140	(1) OF	12
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Question	Answer			Marks
1(c)	W2 Administrative expenses:			
			\$	
	As given	11 560		
	Directors' remuneration	56 000		
	Office wages \$37 150 + \$1 250	38 400	(1)	
	Depreciation motor vehicles (25% × \$10 320)	2 580	(1)	
	Depreciation furniture and equipment – see 1(a)(ii)	6 150	(1) OF	
	Loss on disposal of furniture and equipment – see 1(b)	1 100	(1) OF	
		115 790	(1) OF	
	W3 Rental income:			
	\$800 per month × 8 months = \$6 400	(1)		

Question	Answer						Marks
1(d)	Prepare the statement of changes in equity for the year ended 31 December 2024.						6
H Limited Statement of changes in equity for the year ended 31 December 2024							
	Share Capital \$	Share Premium \$	Revaluation Reserve \$	Retained Earnings \$	Total \$		
Balances at 1 January 2024	525 000	40 000 (1)fb	95 000	112 700	772 700		
Share issue W1	200 000	80 000 (1)fb			280 000		
Dividends paid				(22 500) (1)	(22 500)		
Revaluation of property			(95 000)	(55 000) (1)fb	(150 000)		
Profit for the year				59 870 (1)OF	59 870		
Balances at 31 December 2024	725 000	120 000	–	95 070	940 070	(1) OF column	
W1 Share capital: $400\ 000 \times \$0.50 = \$200\ 000$; Share premium $400\ 000 \times \$0.20 = \$80\ 000$							

Question	Answer	Marks
1(e)	<p>Advise the directors which option they should choose. Justify your answer by discussing <u>both</u> the advantages and disadvantages of <u>each</u> option.</p> <p>Option A = rights issue = max 4</p> <p>For Will be a permanent source of finance (1) Will not affect profits (1) Dividend payments are discretionary (1)</p> <p>Against Will the rights issue be successful because they had recently made a share issue? (1) Could affect control of the company (1) Expensive to organise (1)</p> <p>Option B = debentures = max 4</p> <p>For No impact on control of company as no voting rights (1) No impact on profit distribution as no change in control (1) Temporary source of finance / repayable / liability (1)</p> <p>Against They have to finance the redemption of the existing debenture (1) Debenture interest will reduce profits (1) Debenture interest will have to be paid each year (1)</p> <p>(Max 6)</p> <p>Accept other valid responses</p> <p>Decision supported by a comment (1)</p>	7

Question	Answer				Marks
2(a)	Prepare journal entries to correct the errors. Narratives are <u>not</u> required.				8
	Journal				
	Error		Dr \$	Cr \$	
	1	Raif	80		(1) For both
		Rafiq		80	
	2	P Limited	170		(1) For both
		Suspense		170	
	3	Drawings	330		(1) For both
		Purchases		330	
	4	Suspense	176		(1)
		Discounts allowed		79	(1)
		Discounts received		97	(1)
	5	Bank	370		(1) (1)
		Irrecoverable debts recovered		370	
2(b)	Calculate a revised figure for profit for the year ended 28 February 2025.				5
			\$		
		Draft profit for the year	37 320		
		Add: goods own use	330	(1)	
		Add discounts allowed	79	(1)	
		Add discounts received	97	(1)	
		Add irrecoverable debts recovered	370	(1)	
		Revised profit for the year	38 196	(1)	

Question	Answer	Marks
2(c)	<p>Explain why an error of principle would have no effect on the agreement of trial balance totals.</p> <p>An error of principle results in matching (1) debit and credit entries (1) so agreement of the trial balance totals is not affected.</p>	2

Question	Answer	Marks																					
3(a)	<p>Calculate the revenue for the year ended 31 December 2024.</p> <table border="1"> <thead> <tr> <th></th> <th>\$</th> <th></th> </tr> </thead> <tbody> <tr> <td>Purchases</td> <td>82 980</td> <td></td> </tr> <tr> <td>Returns outwards</td> <td>(1 050)</td> <td>(1)</td> </tr> <tr> <td>Increase in inventory</td> <td>(2 730)</td> <td>(1)</td> </tr> <tr> <td>Cost of sales</td> <td>79 200</td> <td>(1)</td> </tr> </tbody> </table> <p>Revenue: Cost of sales \$79 200 OF $\times 1\frac{2}{3} = 132 000$ (1) OF or (\$79 200 OF/ 60) $\times 100 = 132 000$ (1) OF</p>		\$		Purchases	82 980		Returns outwards	(1 050)	(1)	Increase in inventory	(2 730)	(1)	Cost of sales	79 200	(1)	4						
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3(b)	<p>Calculate the amount owed by credit customers at 31 December 2024.</p> <table border="1"> <thead> <tr> <th></th> <th>\$</th> <th></th> </tr> </thead> <tbody> <tr> <td>Opening balance of trade receivables</td> <td>11 880</td> <td></td> </tr> <tr> <td>Credit sales ($75\% \times \\$132 000$) – see 3(a)</td> <td><u>99 000</u></td> <td>(1) OF</td> </tr> <tr> <td></td> <td>110 880</td> <td></td> </tr> <tr> <td>Receipts</td> <td>(96 900)</td> <td>(1)</td> </tr> <tr> <td>Discounts allowed ($1/19 \times \\$96 900 \times 20\%$)</td> <td>(1 020)</td> <td>(1)</td> </tr> <tr> <td>Closing balance of trade receivables</td> <td>12 960</td> <td>(1) OF</td> </tr> </tbody> </table>		\$		Opening balance of trade receivables	11 880		Credit sales ($75\% \times \$132 000$) – see 3(a)	<u>99 000</u>	(1) OF		110 880		Receipts	(96 900)	(1)	Discounts allowed ($1/19 \times \$96 900 \times 20\%$)	(1 020)	(1)	Closing balance of trade receivables	12 960	(1) OF	4
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3(c)	<p>Identify <u>two</u> ways, other than allowing a cash discount, in which credit control can be improved.</p> <p>Charge interest on overdue accounts (1) Set credit limits in individual cases (1) Send statements/reminders (1) Stopping supplies until overdue amounts have been paid (1) Ask for a deposit/payment up front (1)</p> <p>Accept other valid responses Max 2</p>	2																					

Question	Answer	Marks
3(d)	<p>State <u>two</u> benefits of improving credit control.</p> <p>May improve liquidity (1) Reduced risk of irrecoverable debts (1)</p> <p>Accept other valid responses</p>	2
3(e)	<p>State <u>three</u> ways in which the security of data can be ensured within a computerised accounting system.</p> <p>Install anti-virus packages (1) Use 'strong' passwords (1) Restricted access to data (1) Use encrypted USB drives (1) Introduce policy restricting employee's access to other websites (1) Train staff how to notice suspicious activity (1) Automatic lockdown or logging out (1) Saving/backing up of work (1)</p> <p>Accept other valid responses Max 3</p>	3

Question	Answer	Marks
4(a)(i)	<p>Define the following terms:</p> <p>contribution</p> <p>Contribution is the difference between selling price and variable costs (1)</p>	1
4(a)(ii)	<p>Define the following terms:</p> <p>fixed costs</p> <p>Fixed costs are costs which do not change with levels of business activity (1)</p>	1
4(a)(iii)	<p>Define the following terms:</p> <p>margin of safety</p> <p>Margin of safety is the difference between sales and break-even level of sales (1)</p>	1
4(b)(i)	<p>Calculate the following in units:</p> <p>break-even point</p> <p>Contribution \$11 (1); Fixed costs $6 \times 8\ 300 = \\$49\ 800$ (1) Break-even point 4 528 units (1)</p>	3

Question	Answer	Marks																																																				
4(b)(ii)	<p>Calculate the following in units:</p> <p>margin of safety</p> <p>$8\ 300 - 4\ 528 = 3\ 772$ units (1) OF</p>	1																																																				
4(c)	<p>Calculate the amount by which the monthly target profit is exceeded.</p> <p>Monthly profit: $(8\ 300 \times \\$11) - \\$49\ 800 = \\$41\ 500$ (1) Excess of profit: $\\$41\ 500 - \\$35\ 000 = \\$6\ 500$ (1)OF</p>	2																																																				
4(d)	<p>Prepare a marginal costing statement for Option A to show the <u>total</u> monthly profit being made.</p> <p>Marginal costing statement for one month for Option A</p> <table border="1"> <thead> <tr> <th colspan="2">Exe</th> <th></th> <th colspan="2">Wye</th> <th></th> </tr> <tr> <th></th> <th>\$</th> <th></th> <th></th> <th>\$</th> <th></th> </tr> </thead> <tbody> <tr> <td>Revenue $11\ 900 \times \\$40$</td> <td>476 000</td> <td>(1)</td> <td>Revenue $4\ 000 \times \\$38$</td> <td>152 000</td> <td rowspan="3" style="vertical-align: middle;">(1)</td> </tr> <tr> <td>Direct materials $11\ 900 \times \\$14$</td> <td>(166 600)</td> <td>(1)</td> <td>Direct materials $4\ 000 \times \\$15$</td> <td>(60 000)</td> </tr> <tr> <td>Direct labour $11\ 900 \times \\$12$</td> <td>(142 800)</td> <td></td> <td>Direct labour $4\ 000 \times \\$10$</td> <td>(40 000)</td> </tr> <tr> <td>Contribution</td> <td>166 600</td> <td>(1)OF</td> <td>Contribution</td> <td>52 000</td> <td>(1)OF</td> </tr> <tr> <td>Total contributions</td> <td>218 600</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Less fixed costs</td> <td>126 000</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Profit per month</td> <td>92 600</td> <td>(1) OF</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Exe			Wye				\$			\$		Revenue $11\ 900 \times \$40$	476 000	(1)	Revenue $4\ 000 \times \$38$	152 000	(1)	Direct materials $11\ 900 \times \$14$	(166 600)	(1)	Direct materials $4\ 000 \times \$15$	(60 000)	Direct labour $11\ 900 \times \$12$	(142 800)		Direct labour $4\ 000 \times \$10$	(40 000)	Contribution	166 600	(1)OF	Contribution	52 000	(1)OF	Total contributions	218 600					Less fixed costs	126 000					Profit per month	92 600	(1) OF				6
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Question	Answer			Marks
4(e)	Calculate the <u>total</u> profit to be made in the first month of operation if Option B is adopted.			8
	Option B			
	Exe	\$		
	$14\ 000 \times \$39$	546 000	(1)	
	Direct materials $14\ 000 \times \$13.125$ W1	(183 750)	(1)	
	Direct labour $14\ 000 \times \$12$	(168 000)	(1)	
	Contribution	194 250	(1)	
	Wye			
	Contribution: $3\ 000 \times \$17$	51 000	(1)	
	Total contribution	245 250		
	Less fixed costs			
	$(\$126\ 000 + \$5\ 000 + \$23\ 000)$ (1)	154 000	(1)	
	Profit for first month	91 250	(1) OF	
	W1 Direct materials: price was \$14 per unit with 20% discount; so price pre-discount was \$17.50; and new price after 25% discount is \$13.13			

Question	Answer	Marks
4(f)	<p>Advise the directors which option they should choose. Justify your choice by discussing <u>both</u> financial and non-financial factors for <u>both</u> options.</p> <p>Financial (max 4)</p> <p>Option A = continue with production of both</p> <ul style="list-style-type: none"> • Produces greater profit in first month of operation by very small amount \$1350 (1) • Can meet all existing customer's requirements for product Wye (4000 units) (1) • Business is still not operating at full capacity (1) <p>Option B = use overseas supplier for Wye</p> <ul style="list-style-type: none"> • Produces significantly greater profit in subsequent months (no training costs; no loss on disposal) (1) • Risk of losing some customers for product Exe who make joint purchases of Wye and Exe (and whose order for Wye cannot be satisfied) reducing revenue and profits (1) • Some possible redundancy costs for direct labour currently producing product Exe (1) • Will reduction in price for product Exe be effective? (1) <p>Non-financial (max 4)</p> <ul style="list-style-type: none"> • Will overseas supplier prove reliable/deliveries on time? (1) • Are future supplies guaranteed? (1) • How will direct labour react to any redundancies/requirement to retrain? (1) • Will retraining be effective? (1) • Foreign exchange rates (1) <p>(Overall max 6) Decision supported with a comment (1)</p> <p>Accept other valid responses</p>	7