
BUSINESS

9609/22

Paper 2 Data Response

October/November 2019

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 2019 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

This document consists of **21** 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 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.

Question	Answer	Marks																										
1(a)(i)	<p data-bbox="304 241 783 282">Define the term ‘training’ (line 27).</p> <table border="1" data-bbox="304 315 1326 577"> <thead> <tr> <th data-bbox="304 315 1203 378">Knowledge</th> <th data-bbox="1203 315 1326 378">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="304 378 1203 443">A correct definition</td> <td data-bbox="1203 378 1326 443">2</td> </tr> <tr> <td data-bbox="304 443 1203 508">A partial, vague or unfocused definition</td> <td data-bbox="1203 443 1326 508">1</td> </tr> <tr> <td data-bbox="304 508 1203 573">No creditable content</td> <td data-bbox="1203 508 1326 573">0</td> </tr> </tbody> </table> <p data-bbox="304 611 1241 678"><i>Note: this is a definition question so there are no marks for examples of training, i.e. on-the-job, off-the-job and induction.</i></p> <p data-bbox="304 712 419 741">Content</p> <p data-bbox="304 745 1054 775">A correct definition should include the following elements:</p> <ul data-bbox="304 779 1270 882" style="list-style-type: none"> <li data-bbox="304 779 1007 808">• The teaching/development of skills/knowledge (1) <li data-bbox="304 813 1270 882">• To perform a task, become more efficient, increase productivity, meet organisation/departmental/job objectives, etc. (1) <table border="1" data-bbox="304 916 1326 1608"> <thead> <tr> <th data-bbox="304 916 839 981">Exemplar</th> <th data-bbox="839 916 954 981">Marks</th> <th data-bbox="954 916 1326 981">Rationale</th> </tr> </thead> <tbody> <tr> <td data-bbox="304 981 839 1115">Training involves developing skills so that workers can do their job more efficiently</td> <td data-bbox="839 981 954 1115">2</td> <td data-bbox="954 981 1326 1115">Both elements covered</td> </tr> <tr> <td data-bbox="304 1115 839 1211">Making an employee better at doing their job</td> <td data-bbox="839 1115 954 1211">1</td> <td data-bbox="954 1115 1326 1211">‘Better at doing their job’ is enough for one mark</td> </tr> <tr> <td data-bbox="304 1211 839 1308">Helping an employee to develop skills</td> <td data-bbox="839 1211 954 1308">1</td> <td data-bbox="954 1211 1326 1308">‘Developing skills’ is enough for one mark</td> </tr> <tr> <td data-bbox="304 1308 839 1473">The person who is employed by an organisation to do a job who needs experience before they can do their job</td> <td data-bbox="839 1308 954 1473">0</td> <td data-bbox="954 1308 1326 1473">NAQ – describing a trainee</td> </tr> <tr> <td data-bbox="304 1473 839 1608">Training can be on the job or off the job</td> <td data-bbox="839 1473 954 1608">0</td> <td data-bbox="954 1473 1326 1608">No marks for an example as this is a definition question</td> </tr> </tbody> </table>	Knowledge	Marks	A correct definition	2	A partial, vague or unfocused definition	1	No creditable content	0	Exemplar	Marks	Rationale	Training involves developing skills so that workers can do their job more efficiently	2	Both elements covered	Making an employee better at doing their job	1	‘Better at doing their job’ is enough for one mark	Helping an employee to develop skills	1	‘Developing skills’ is enough for one mark	The person who is employed by an organisation to do a job who needs experience before they can do their job	0	NAQ – describing a trainee	Training can be on the job or off the job	0	No marks for an example as this is a definition question	2
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1(a)(ii)	<p>Briefly explain the term ‘entrepreneur’ (line 3).</p> <p>Award one mark for each point of explanation:</p> <table border="1" data-bbox="304 383 1326 645"> <thead> <tr> <th data-bbox="304 383 1203 448">Rationale</th> <th data-bbox="1203 383 1326 448">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="304 448 1203 512">Three characteristics of an entrepreneur</td> <td data-bbox="1203 448 1326 512">1</td> </tr> <tr> <td data-bbox="304 512 1203 577">Two characteristics of an entrepreneur</td> <td data-bbox="1203 512 1326 577">1</td> </tr> <tr> <td data-bbox="304 577 1203 645">One characteristic of an entrepreneur</td> <td data-bbox="1203 577 1326 645">1</td> </tr> </tbody> </table> <p>Content Allow any reasonable characteristic of an entrepreneur, for example:</p> <ul style="list-style-type: none"> • 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 • One of the factors of production (entrepreneurship) • Organises the factors of production • An example of an entrepreneur (do not allow Seojun) <p><i>Only reward each characteristic once.</i></p>	Rationale	Marks	Three characteristics of an entrepreneur	1	Two characteristics of an entrepreneur	1	One characteristic of an entrepreneur	1	3
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1(b)(ii)	<p>Explain <u>one</u> difficulty in measuring the market share of QF.</p> <table border="1" data-bbox="304 315 1326 611"> <thead> <tr> <th data-bbox="304 315 435 378">Level</th> <th data-bbox="435 315 1203 378">Knowledge and Application</th> <th data-bbox="1203 315 1326 378">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="304 378 435 479">2 (APP)</td> <td data-bbox="435 378 1203 479">Explanation of a difficulty with measuring market share in context</td> <td data-bbox="1203 378 1326 479">2</td> </tr> <tr> <td data-bbox="304 479 435 542">1 (K)</td> <td data-bbox="435 479 1203 542">Identification of a difficulty with measuring market share</td> <td data-bbox="1203 479 1326 542">1</td> </tr> <tr> <td data-bbox="304 542 435 611">0</td> <td data-bbox="435 542 1203 611">No creditable content</td> <td data-bbox="1203 542 1326 611">0</td> </tr> </tbody> </table> <p>Content</p> <ul data-bbox="304 680 1326 987" style="list-style-type: none"> • How is the market share measured? Number of fences? Revenue? • Where are the boundaries of City X? • How much fence building and repair is in the informal market – does this affect the market share? • Where has the research come from – Seojun has only been in the market for two years, so can he be sure of the data? • The market may be out of date – it is a very competitive market • Which products are involved – is it just wooden fences, all fences or any maintenance work? <p>ARA</p> <p>Example of how responses should be marked</p> <table border="1" data-bbox="304 1160 1326 1554"> <thead> <tr> <th data-bbox="304 1160 643 1261">Identification of a difficulty (1 mark)</th> <th data-bbox="643 1160 1326 1261">Explanation of a difficulty in context (3 marks)</th> </tr> </thead> <tbody> <tr> <td data-bbox="304 1261 643 1323">How is it measured (K)</td> <td data-bbox="643 1261 1326 1323">By number of fences or time that it takes (APP)</td> </tr> <tr> <td data-bbox="304 1323 643 1458">How has the data been gathered (K)</td> <td data-bbox="643 1323 1326 1458">Seojun has only been in the market for two years, so may not have enough experience to know (APP)</td> </tr> <tr> <td data-bbox="304 1458 643 1554">The market might have changed (K)</td> <td data-bbox="643 1458 1326 1554">Very competitive market (APP)</td> </tr> </tbody> </table>	Level	Knowledge and Application	Marks	2 (APP)	Explanation of a difficulty with measuring market share in context	2	1 (K)	Identification of a difficulty with measuring market share	1	0	No creditable content	0	Identification of a difficulty (1 mark)	Explanation of a difficulty in context (3 marks)	How is it measured (K)	By number of fences or time that it takes (APP)	How has the data been gathered (K)	Seojun has only been in the market for two years, so may not have enough experience to know (APP)	The market might have changed (K)	Very competitive market (APP)	2
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Question	Answer				Marks	
1(c)	Analyse <u>two</u> problems with the job description created by Seojun in Table 1.2.				8	
	Level	Knowledge and Application (4 marks)	Marks	Analysis (4 marks)		Marks
2b	Shows understanding of two characteristics of a job description in context	4	Good analysis of an effect <u>on the business</u> of two problems with the job description	4		
2a	Shows understanding of one characteristics of a job description in context	3	Good analysis of an effect <u>on the business</u> of one problem with the job description	3		
1b	Shows knowledge of two characteristics of a job description	2	Limited analysis of two problems of a job description	2		
1a	Shows knowledge of one characteristic of a job description	1	Limited analysis of one problem of a job description	1		
0	No creditable content			0		
<p>Content A job description describes the tasks, or functions, and responsibilities of a role within an organisation.</p> <p>Problems:</p> <ul style="list-style-type: none"> • ‘As soon as possible’ – with no date on the description, some potential workers may think this is out of date and not apply • Salary should not be based on age – this suggests age discrimination. May be illegal and the business could face sanctions. May only attract older workers (for the perceived higher wage) • Why would this role need A-Levels? This is likely to put off potentially good workers because they do not have the qualifications. In some countries A-Levels are uncommon, so this might be a very unlikely qualification. This is unlikely to get a good range of applicants • Qualifications should appear on the person specification rather than the job description – may confuse potential applicants • ‘Workman’ – this is sexist and may lead to sanctions on the business. Also, may miss out on good female applicants • ‘Local business’ – local to where – with no address applicants may assume it is local to them, wherever they are • Experience is essential, but full training will be given – too ambiguous – if full training is given why is experience needed? <ul style="list-style-type: none"> – Experience should appear on the person specification – How many applicants is QF likely to receive if Seojun requires experience of both building and repairing? 						

Question	Answer			Marks
1(c)	ARA			
	Example of an aspect of a job description (K)	Examples of application/context (APP)	Examples of possible analysis (AN + DEV)	
	A job description contains the experience needed (K)	In this case experience of building and repairing fences is essential (APP).	This might mean that Seojun might not get any people applying (AN) which may mean QF cannot grow in the future (DEV)	

Question	Answer				Marks	
1(d)	Recommend suitable promotion methods which would help Seojun to achieve his objectives.				11	
Knowledge and Application (4 marks)		Marks	Analysis and Evaluation (7 marks)			Marks
			Justified recommendation based on argument in context			7
			Developed recommendation based on argument in context			6
			An evaluative statement/recommendation based on argument in context			5
Shows understanding of two (or more) promotion methods in context		4	Argument based on two promotion methods in context			4
Shows understanding of one promotion method in context		3	Argument based on one promotion method in context			3
Shows knowledge of two promotion methods		2	Limited analysis of two promotion methods			2
Shows knowledge of one promotion method		1	Limited analysis of one promotion method			1
<i>Note: If the candidate has attempted to analyse more than two promotion methods, then annotate the one that gain the most marks for the candidate.</i>						
<p>Content</p> <ul style="list-style-type: none"> • Posters – cost effective and could be effective in the local area • Local TV/radio/newspaper – reach a large local audience – mass market product (many people may have access to a garden) • Other forms of local advertising – buses, roadside, etc. 						

Question	Answer	Marks														
1(d)	<ul style="list-style-type: none"> • Garden centres/alongside complementary products • Direct promotion – door to door sales, especially if a ‘bad’ fence is spotted • Word of mouth – likely to be essential in this industry, but difficult to control • Internet – many recommendation websites – social media promotion – can be cheap and targeted, but do many people hire services this way? <i>Allow the benefit of internet promotion allowing more online bookings.</i> • Promotional pricing is a valid method – but only if it is specifically linked to promotion, e.g. BOGOF. Do not reward pricing strategies/changes on their own <p><i>Note: Allow above-the-line and below-the-line as promotion methods. Also allow two different types of advertising (i.e. newspaper and TV) as different methods of promotion.</i></p> <p>ARA</p> <p>An example of how an answer could develop and how it should be annotated.</p> <table border="1" data-bbox="304 927 1326 1767"> <thead> <tr> <th data-bbox="304 927 485 994">K</th> <th data-bbox="485 927 660 994">APP</th> <th data-bbox="660 927 855 994">AN</th> <th data-bbox="855 927 1082 994">DEV</th> <th data-bbox="1082 927 1326 994">EVAL</th> </tr> </thead> <tbody> <tr> <td data-bbox="304 994 485 1330">Internet</td> <td data-bbox="485 994 660 1330">There is a growing need for online bookings</td> <td data-bbox="660 994 855 1330">By promoting using the internet, Seojun can drive customers to book online</td> <td data-bbox="855 994 1082 1330">Which can lead to increased revenue for QF</td> <td data-bbox="1082 994 1326 1767" rowspan="2">Overall newspaper advertising is most likely to target Seojun’s current target customers (EVAL) because he can advertise his telephone number and that is how most customers book (EVAL), however if he really wants to develop his online bookings then the internet may be best (EVAL)</td> </tr> <tr> <td data-bbox="304 1330 485 1767">Newspaper advertising</td> <td data-bbox="485 1330 660 1767">He can target higher income people in City X who are more likely to own houses with gardens</td> <td data-bbox="660 1330 855 1767">This would be an efficient way to target his customers</td> <td data-bbox="855 1330 1082 1767">Which reduces the costs for QF</td> </tr> </tbody> </table> <p><i>Note: fully reward candidates who do not make a choice between their chosen methods – it is just as acceptable to recommend more than one method.</i></p>	K	APP	AN	DEV	EVAL	Internet	There is a growing need for online bookings	By promoting using the internet, Seojun can drive customers to book online	Which can lead to increased revenue for QF	Overall newspaper advertising is most likely to target Seojun’s current target customers (EVAL) because he can advertise his telephone number and that is how most customers book (EVAL), however if he really wants to develop his online bookings then the internet may be best (EVAL)	Newspaper advertising	He can target higher income people in City X who are more likely to own houses with gardens	This would be an efficient way to target his customers	Which reduces the costs for QF	
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Newspaper advertising	He can target higher income people in City X who are more likely to own houses with gardens	This would be an efficient way to target his customers	Which reduces the costs for QF													

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2(a)(i)	<p>Define the term ‘internal growth’ (line 2).</p> <table border="1" data-bbox="284 315 1350 577"> <thead> <tr> <th data-bbox="284 315 1131 380">Knowledge</th> <th data-bbox="1131 315 1350 380">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="284 380 1131 448">A correct definition</td> <td data-bbox="1131 380 1350 448">2</td> </tr> <tr> <td data-bbox="284 448 1131 515">A partial, vague or unfocused definition</td> <td data-bbox="1131 448 1350 515">1</td> </tr> <tr> <td data-bbox="284 515 1131 577">No creditable content</td> <td data-bbox="1131 515 1350 577">0</td> </tr> </tbody> </table> <p>A correct definition should include the following elements:</p> <ul style="list-style-type: none"> • Definition of growth – expansion, getting bigger, opening more stores/factories/outlets, etc. (1) • Definition of internal (in terms of growth) – using own funds/resources, reinvesting, etc. or in terms of NOT merging/taking over another business (do not allow not external) <p>Content Internal growth comes from an increase in sales from re-investment in the business (1) as opposed to mergers and takeovers (1).</p> <table border="1" data-bbox="284 983 1350 1476"> <thead> <tr> <th data-bbox="284 983 877 1048">Exemplar</th> <th data-bbox="877 983 997 1048">Marks</th> <th data-bbox="997 983 1350 1048">Rationale</th> </tr> </thead> <tbody> <tr> <td data-bbox="284 1048 877 1149">Expansion by reinvesting profits as opposed to a merger</td> <td data-bbox="877 1048 997 1149">2</td> <td data-bbox="997 1048 1350 1149">Both elements</td> </tr> <tr> <td data-bbox="284 1149 877 1312">Growth by using the businesses own funds. It is also known as organic growth</td> <td data-bbox="877 1149 997 1312">1</td> <td data-bbox="997 1149 1350 1312">One element only – do not reward ‘organic growth’ as it does not define the term</td> </tr> <tr> <td data-bbox="284 1312 877 1413">Getting bigger but not external</td> <td data-bbox="877 1312 997 1413">1</td> <td data-bbox="997 1312 1350 1413">One element only – do not allow ‘not external’</td> </tr> <tr> <td data-bbox="284 1413 877 1476">Growth by using internal funds</td> <td data-bbox="877 1413 997 1476">0</td> <td data-bbox="997 1413 1350 1476">Tautology</td> </tr> </tbody> </table>	Knowledge	Marks	A correct definition	2	A partial, vague or unfocused definition	1	No creditable content	0	Exemplar	Marks	Rationale	Expansion by reinvesting profits as opposed to a merger	2	Both elements	Growth by using the businesses own funds. It is also known as organic growth	1	One element only – do not reward ‘organic growth’ as it does not define the term	Getting bigger but not external	1	One element only – do not allow ‘not external’	Growth by using internal funds	0	Tautology	2
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2(b)(i)	<p data-bbox="284 248 1198 315">Refer to Table 2.1. Calculate the percentage market growth in the international market for candy.</p> <table border="1" data-bbox="284 349 1353 678"> <thead> <tr> <th data-bbox="284 349 1131 414">Rationale</th> <th data-bbox="1131 349 1353 414">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="284 414 1131 512">Correct answer with or without correct working (no % sign required)</td> <td data-bbox="1131 414 1353 512">2</td> </tr> <tr> <td data-bbox="284 512 1131 611">Formula or correct calculation of change in market size (i.e. 1.5 bn)</td> <td data-bbox="1131 512 1353 611">1</td> </tr> <tr> <td data-bbox="284 611 1131 678">No creditable content</td> <td data-bbox="1131 611 1353 678">0</td> </tr> </tbody> </table> <p data-bbox="284 712 400 745">Content</p> $\frac{\text{Change in market size}}{\text{Original market size}} \times 100$ $\$61.5 \text{ bn} - \$60 \text{ bn} = 1.5 \text{ bn}$ $\frac{\$1.5 \text{ bn}}{\$60 \text{ bn}} \times 100$ <p data-bbox="284 1048 379 1081">= 2.5%</p>	Rationale	Marks	Correct answer with or without correct working (no % sign required)	2	Formula or correct calculation of change in market size (i.e. 1.5 bn)	1	No creditable content	0	2
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Question	Answer			Marks
2(b)(i)	Common incorrect answers			
	Answer	Marks	Rationale	
	2.5	2	Correct answer – no % sign required	
	$\frac{61.5}{60} \times 100 = 102.5$	1	Worked out as a ratio	
	1.5 (no working)	1	Correct calculation of the change in market size – no \$ sign needed	
	$\frac{1.5}{61.5} \times 100 = 2.4\%$	1	Candidate has used the wrong base figure – one error (OFR)	
	$\frac{60}{61.5} \times 100 = 97.56$ $100 - 97.56 = 2.44\%$	1	Figures used the wrong way round in formula – one error (OFR)	
	$\frac{1.5}{60} = 0.025$	1	Not turned into a percentage – one error	
	0.025 (no working)	0	Without working this is a meaningless number – do not reward	
$\frac{\text{Year 2}}{\text{Year 1}} \times 100$ $= 102.5\%$	1	A mistake in the formula, but correct use of numbers		

Question	Answer		Marks
2(b)(ii)	Explain two ways in which CP's marketing may differ between its national market and international markets.		
	Level	Knowledge and Application	Marks
	2b (APP + APP)	Explanation of two ways in which CP's marketing may differ between national and international markets	4
	2a (APP)	Explanation of one way in which CP's marketing may differ between national and international markets	3
	1b (K+K)	Identification of two differences between marketing for national and international markets	2
	1a (K)	Identification of one difference between marketing for national and international markets	1
	0	No creditable content	0
	Content		
	Product		
	<ul style="list-style-type: none"> • Different products to meet different tastes/fashions in other countries • Legal requirements for ingredients in different countries 		
	Price		
	<ul style="list-style-type: none"> • Different elasticities – in some countries candy may be a luxury, whilst in others it might be a normal good (or even an inferior good when compared to chocolate, etc.) • Different pricing strategies based on PLC in that country (i.e. recently launched a new candy range) 		
	Promotion		
	<ul style="list-style-type: none"> • Language/cultural issues in different countries • Below the line may be difficult in international markets (i.e. distance from CP) • Above the line may be very expensive across international markets, especially for what is probably a low margin product 		
	Place		
	<ul style="list-style-type: none"> • Possible to sell directly in national market (although unlikely) but unlikely in international markets unless through internet • Need to use retailers in international markets – may also need to use other forms of distribution. • Candy may be sold in different places in different countries (i.e. petrol stations, supermarkets, candy shops) 		

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2(b)(ii)	<p>ARA</p> <p>Example of how responses should be marked</p> <table border="1" data-bbox="284 383 1355 645"> <thead> <tr> <th data-bbox="284 383 735 448">Identification of a way (K)</th> <th data-bbox="740 383 1355 448">Explanation of a way in context (APP)</th> </tr> </thead> <tbody> <tr> <td data-bbox="284 454 735 544">The packaging might need to be different (K)</td> <td data-bbox="740 454 1355 544">So that the ingredients are translated into different languages (APP)</td> </tr> <tr> <td data-bbox="284 551 735 640">The product may need to change (K)</td> <td data-bbox="740 551 1355 640">So that different flavours can be used in different countries (APP)</td> </tr> </tbody> </table> <p><i>Note: using the words 'candy' or 'sweets' is not enough for APP – however words such as 'flavour' and 'ingredients' and 'taste' do show contextual understanding and can be awarded with APP</i></p>	Identification of a way (K)	Explanation of a way in context (APP)	The packaging might need to be different (K)	So that the ingredients are translated into different languages (APP)	The product may need to change (K)	So that different flavours can be used in different countries (APP)	
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Question	Answer				Marks
2(c)	Analyse one internal source of finance and one external source of finance which CP could use for the new machinery.				8
Level	Knowledge and Application (4 marks)	Marks	Analysis (4 marks)	Marks	
2b	Shows understanding of one internal and one external source of finance	4	Good analysis of one internal and one external source of finance in context	4	
2a	Shows understanding of one internal or one external source of finance in context	3	Good analysis of one internal or one external source of finance in context	3	
1b	Shows knowledge of one internal and one external source of finance	2	Limited analysis of one internal and one external source of finance	2	
1a	Shows knowledge of one internal or one external source of finance	1	Limited analysis of one internal or one external source of finance	1	
0	No creditable content			0	
<p><i>Note: Do not accept retained earnings or bank loan as contextual. These can gain K and AN but not APP and DEV.</i></p> <p><i>Annotate the internal source of finance in the left-hand margin and the external source of finance in the right-hand margin. If the candidate has attempted to analyse more than one internal or external source of finance, then annotate the one that gains the most marks for the candidate.</i></p>					
<p>Content</p> <p>Internal:</p> <ul style="list-style-type: none"> • Sale of unwanted assets – old machinery that is of no use • Sale and leaseback of non-current assets – unlikely to have many current assets that could be leased • Working capital – CP has a good working capital position <p>External:</p> <ul style="list-style-type: none"> • Share capital – CP is a plc so can sell shares, but will this devalue the share price? <i>Note: only accept share capital as an EXTERNAL source unless it is explicitly stated that the shares are being issued to existing shareholders</i> • New partners – not a partnership so not contextual • Venture capital – more likely for a newer business – VC is likely to require a high return and/or equity in the business • Overdrafts – surely too much for an overdraft • Leasing – possible advantages of maintenance and no need for initial sum but likely to be more expensive long term 					

Question	Answer			Marks															
2(c)	<ul style="list-style-type: none"> • Hire purchase – as above • Mortgages – suitable for properties so unlikely to be contextual • Debentures – securing a debenture on the machinery may make a financial institution/individual more likely to lend the money • Micro-finance – likely to more suitable for new businesses/ventures • Crowd funding – likely to more suitable for new businesses/ventures • Government grants <p><i>If a candidate has mis-categorised a source of finance (internal and external) then do not award any marks for that source of finance, e.g. share capital as internal</i></p> <p>ARA</p> <table border="1" data-bbox="284 730 1351 1128"> <thead> <tr> <th data-bbox="284 730 475 898">Example of an internal source of finance (K)</th> <th data-bbox="475 730 778 898">Examples of application/context (APP)</th> <th data-bbox="778 730 1351 898">Examples of possible analysis (AN + DEV)</th> </tr> </thead> <tbody> <tr> <td data-bbox="284 898 475 1128">Sale of assets (K)</td> <td data-bbox="475 898 778 1128">CP has 20 separate production lines which would involve a lot of machinery to sell (APP)</td> <td data-bbox="778 898 1351 1128">By selling these machines, CP would gain the cash from the sale to be able to finance the new machinery. However, this may leave CP without any means of producing Candy, leading to a loss of revenue (DEV)</td> </tr> </tbody> </table> <table border="1" data-bbox="284 1167 1351 1727"> <thead> <tr> <th data-bbox="284 1167 475 1357">Example of an external source of finance (K)</th> <th data-bbox="475 1167 778 1357">Examples of application/context (APP)</th> <th data-bbox="778 1167 1351 1357">Examples of possible analysis (AN + DEV)</th> </tr> </thead> <tbody> <tr> <td data-bbox="284 1357 475 1559">Sell shares (K)</td> <td data-bbox="475 1357 778 1559">CP is a public Limited Company (APP)</td> <td data-bbox="778 1357 1351 1559">So by selling shares this can release cash to finance the purchase of the machinery (AN), however this may lead to a loss of control by the current owners (DEV)</td> </tr> <tr> <td data-bbox="284 1559 475 1727">Lease (K)</td> <td data-bbox="475 1559 778 1727">Because CP cannot use a bank loan they might need to lease the machinery (APP)</td> <td data-bbox="778 1559 1351 1727">This does not require an initial large amount (AN) and allows CP to pay for the machinery each month (DEV)</td> </tr> </tbody> </table>			Example of an internal source of finance (K)	Examples of application/context (APP)	Examples of possible analysis (AN + DEV)	Sale of assets (K)	CP has 20 separate production lines which would involve a lot of machinery to sell (APP)	By selling these machines, CP would gain the cash from the sale to be able to finance the new machinery. However, this may leave CP without any means of producing Candy, leading to a loss of revenue (DEV)	Example of an external source of finance (K)	Examples of application/context (APP)	Examples of possible analysis (AN + DEV)	Sell shares (K)	CP is a public Limited Company (APP)	So by selling shares this can release cash to finance the purchase of the machinery (AN), however this may lead to a loss of control by the current owners (DEV)	Lease (K)	Because CP cannot use a bank loan they might need to lease the machinery (APP)	This does not require an initial large amount (AN) and allows CP to pay for the machinery each month (DEV)	
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2(d)	Evaluate the likely benefits for CP of the proposed process innovation.				11	
Knowledge and Application (4 marks)		Marks	Analysis and Evaluation (7 marks)			Marks
			Justified evaluation based on argument in context			7
			Developed evaluation based on argument in context			6
			An evaluative statement based on argument in context			5
Shows understanding of two aspects process innovation in context		4	Argument based on the use of two benefits to CP of the proposed process innovation			4
Shows knowledge of one aspect of process innovation in context		3	Argument based on one benefit to CP of the proposed process innovation			3
Shows knowledge of two aspects of process innovation		2	Limited analysis of two benefits of process innovation			2
Shows knowledge of one aspect of process innovation		1	Limited analysis of one benefit of process innovation			1
<i>Note: there must be knowledge of process innovation (not just innovation) to award any marks.</i>						
Content						
Process innovation is the implementation of a new or significantly improved production method. This includes changes in how the product is made and/or the equipment used.						
Aspects of process innovation may include:						
<ul style="list-style-type: none"> • How the product is produced • The equipment used to produce the products • The technology used in production 						

Question	Answer				Marks														
2(d)	<p>Benefits may include:</p> <ul style="list-style-type: none"> • Possible economies of scale from moving from 20 production lines to only one or may eliminate the current diseconomies • Expansion of CP's product portfolio • Mass customisation – could have more varieties of their current candy – may be able to have specific candy for organisations • Can customise candy for national and international markets – especially important because of the growth in the international market • Replace the 25-year-old machinery – more efficient? • Save direct costs by making workers redundant • Increased efficiency <p>ARA An example of how an answer could develop and how it should be annotated</p> <table border="1" data-bbox="284 763 1353 1559"> <thead> <tr> <th data-bbox="284 763 448 853">K</th> <th data-bbox="453 763 659 853">APP</th> <th data-bbox="663 763 869 853">AN</th> <th data-bbox="874 763 1059 853">DEV</th> <th data-bbox="1064 763 1353 853">EVAL</th> </tr> </thead> <tbody> <tr> <td data-bbox="284 860 448 1122">Changing how the candy is made (K)</td> <td data-bbox="453 860 659 1122">Introducing mass customisation (APP)</td> <td data-bbox="663 860 869 1122">May lead to being able to produce more types of candy (AN)</td> <td data-bbox="874 860 1059 1122">Which may increase the target market and number of customers (DEV)</td> <td data-bbox="1064 860 1353 1122" rowspan="2">The most important benefit is that CP will be able to increase their profitability (EVAL) because as public limited company the shareholders will expect a reasonable dividend (EVAL). However, in the long term it may be more important to increase the number of customers as this is likely to lead to more profits eventually (EVAL)</td> </tr> <tr> <td data-bbox="284 1128 448 1559">Changing the machinery used (K)</td> <td data-bbox="453 1128 659 1559">Moving from 20 production lines to just 1 (APP)</td> <td data-bbox="663 1128 869 1559">May reduce the diseconomies of scale (AN)</td> <td data-bbox="874 1128 1059 1559">Leading to CP being able to make more profit (DEV)</td> </tr> </tbody> </table>				K	APP	AN	DEV	EVAL	Changing how the candy is made (K)	Introducing mass customisation (APP)	May lead to being able to produce more types of candy (AN)	Which may increase the target market and number of customers (DEV)	The most important benefit is that CP will be able to increase their profitability (EVAL) because as public limited company the shareholders will expect a reasonable dividend (EVAL). However, in the long term it may be more important to increase the number of customers as this is likely to lead to more profits eventually (EVAL)	Changing the machinery used (K)	Moving from 20 production lines to just 1 (APP)	May reduce the diseconomies of scale (AN)	Leading to CP being able to make more profit (DEV)	
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