
BUSINESS

9609/21

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 **20** 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="288 248 810 282">Define the term ‘fixed costs’ (line 22).</p> <table border="1" data-bbox="288 315 1307 577"> <thead> <tr> <th data-bbox="288 315 1193 380">Knowledge</th> <th data-bbox="1193 315 1307 380">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="288 380 1193 448">A correct definition</td> <td data-bbox="1193 380 1307 448">2</td> </tr> <tr> <td data-bbox="288 448 1193 515">A partial, vague or unfocused definition</td> <td data-bbox="1193 448 1307 515">1</td> </tr> <tr> <td data-bbox="288 515 1193 577">No creditable content</td> <td data-bbox="1193 515 1307 577">0</td> </tr> </tbody> </table> <p data-bbox="288 611 403 645">Content</p> <p data-bbox="288 645 1278 712">Money paid by a business where the amount does not change (1) as output changes (1).</p> <p data-bbox="288 745 1023 853">Award one mark for each element of a correct definition: does not change/stays the same as output changes/varies</p> <table border="1" data-bbox="288 887 1307 1240"> <thead> <tr> <th data-bbox="288 887 671 952">Exemplar</th> <th data-bbox="671 887 767 952">Mark</th> <th data-bbox="767 887 1307 952">Rationale</th> </tr> </thead> <tbody> <tr> <td data-bbox="288 952 671 1048">Costs that don't vary (1) with output (1)</td> <td data-bbox="671 952 767 1048">2</td> <td data-bbox="767 952 1307 1048">Both elements, costs don't change as output changes</td> </tr> <tr> <td data-bbox="288 1048 671 1113">The cost doesn't change</td> <td data-bbox="671 1048 767 1113">1</td> <td data-bbox="767 1048 1307 1113">Only one element</td> </tr> <tr> <td data-bbox="288 1113 671 1178">Unchanging costs</td> <td data-bbox="671 1113 767 1178">1</td> <td data-bbox="767 1113 1307 1178">Only one element</td> </tr> <tr> <td data-bbox="288 1178 671 1240">costs change with output</td> <td data-bbox="671 1178 767 1240">0</td> <td data-bbox="767 1178 1307 1240">Confused with variable costs</td> </tr> </tbody> </table>	Knowledge	Marks	A correct definition	2	A partial, vague or unfocused definition	1	No creditable content	0	Exemplar	Mark	Rationale	Costs that don't vary (1) with output (1)	2	Both elements, costs don't change as output changes	The cost doesn't change	1	Only one element	Unchanging costs	1	Only one element	costs change with output	0	Confused with variable costs	2
Knowledge	Marks																								
A correct definition	2																								
A partial, vague or unfocused definition	1																								
No creditable content	0																								
Exemplar	Mark	Rationale																							
Costs that don't vary (1) with output (1)	2	Both elements, costs don't change as output changes																							
The cost doesn't change	1	Only one element																							
Unchanging costs	1	Only one element																							
costs change with output	0	Confused with variable costs																							

Question	Answer	Marks																																				
1(a)(ii)	<p>Explain the term ‘channels of distribution’ (line 3).</p> <p>Award one mark for each point of explanation:</p> <table border="1" data-bbox="288 383 1305 712"> <thead> <tr> <th></th> <th>Rationale</th> <th>Mark</th> </tr> </thead> <tbody> <tr> <td>C</td> <td>Example or some other way of showing good understanding, i.e. examples of intermediaries, channels</td> <td>1</td> </tr> <tr> <td>B</td> <td>Stages/intermediaries/different ways of selling/chain of businesses</td> <td>1</td> </tr> <tr> <td>A</td> <td>From producer to consumer/sell products to consumers</td> <td>1</td> </tr> </tbody> </table> <p>Content A chain of stages which a product or service goes through on the way from the producer to the consumer. Can be direct, using the internet, or through intermediaries such as a warehouse, agent or retailer.</p> <p>ARA</p> <table border="1" data-bbox="288 1016 1305 1872"> <thead> <tr> <th>Exemplar</th> <th>Mark</th> <th>Rationale</th> </tr> </thead> <tbody> <tr> <td>Different ways of selling (B mark) products to consumers (A mark) e.g. supplier to wholesaler to consumer (C mark)</td> <td>3</td> <td>Point from each category</td> </tr> <tr> <td>A chain of intermediaries (B) a good passes through until it reaches the final buyer (A) e.g. wholesalers, retailers, direct (C)</td> <td>3</td> <td>Point from each category</td> </tr> <tr> <td>Chain of businesses (B) that sell products to consumers (A)</td> <td>2</td> <td>Only two categories covered</td> </tr> <tr> <td>The ways in which (B) producers sell to consumers (A)</td> <td>2</td> <td>Only two categories covered</td> </tr> <tr> <td>Stages a product passes through (B)</td> <td>1</td> <td>A bit vague but BOD for ‘stages’</td> </tr> <tr> <td>Selling products to consumers (A)</td> <td>1</td> <td>Again a bit vague but fits the A category</td> </tr> <tr> <td>The production process</td> <td>0</td> <td>No understanding shown</td> </tr> </tbody> </table>		Rationale	Mark	C	Example or some other way of showing good understanding, i.e. examples of intermediaries, channels	1	B	Stages/intermediaries/different ways of selling/chain of businesses	1	A	From producer to consumer/sell products to consumers	1	Exemplar	Mark	Rationale	Different ways of selling (B mark) products to consumers (A mark) e.g. supplier to wholesaler to consumer (C mark)	3	Point from each category	A chain of intermediaries (B) a good passes through until it reaches the final buyer (A) e.g. wholesalers, retailers, direct (C)	3	Point from each category	Chain of businesses (B) that sell products to consumers (A)	2	Only two categories covered	The ways in which (B) producers sell to consumers (A)	2	Only two categories covered	Stages a product passes through (B)	1	A bit vague but BOD for ‘stages’	Selling products to consumers (A)	1	Again a bit vague but fits the A category	The production process	0	No understanding shown	3
	Rationale	Mark																																				
C	Example or some other way of showing good understanding, i.e. examples of intermediaries, channels	1																																				
B	Stages/intermediaries/different ways of selling/chain of businesses	1																																				
A	From producer to consumer/sell products to consumers	1																																				
Exemplar	Mark	Rationale																																				
Different ways of selling (B mark) products to consumers (A mark) e.g. supplier to wholesaler to consumer (C mark)	3	Point from each category																																				
A chain of intermediaries (B) a good passes through until it reaches the final buyer (A) e.g. wholesalers, retailers, direct (C)	3	Point from each category																																				
Chain of businesses (B) that sell products to consumers (A)	2	Only two categories covered																																				
The ways in which (B) producers sell to consumers (A)	2	Only two categories covered																																				
Stages a product passes through (B)	1	A bit vague but BOD for ‘stages’																																				
Selling products to consumers (A)	1	Again a bit vague but fits the A category																																				
The production process	0	No understanding shown																																				

Question	Answer	Marks												
1(b)(i)	<p>Calculate the profit CE will make from production line B if it sorts, packages and sells 150 000 eggs in a month.</p> <table border="1" data-bbox="288 349 1305 808"> <thead> <tr> <th data-bbox="288 349 1193 414">Rationale</th> <th data-bbox="1193 349 1305 414">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="288 414 1193 479">Correct answer with or without correct working</td> <td data-bbox="1193 414 1305 479">4</td> </tr> <tr> <td data-bbox="288 479 1193 577">Formulae or correct calculation of two from TVC or TFC or TR OR Correct calculation of TVC, TFC and TR</td> <td data-bbox="1193 479 1305 577">3</td> </tr> <tr> <td data-bbox="288 577 1193 676">Formulae and correct calculation of one from TVC or TFC or TR OR Correct calculation of two from TVC, TFC or TR</td> <td data-bbox="1193 577 1305 676">2</td> </tr> <tr> <td data-bbox="288 676 1193 741">Formulae or correct calculation of one from TVC or TFC or TR</td> <td data-bbox="1193 676 1305 741">1</td> </tr> <tr> <td data-bbox="288 741 1193 808">No creditable content</td> <td data-bbox="1193 741 1305 808">0</td> </tr> </tbody> </table> <p>NB Can award a mark for OFR where relevant</p> <p>Profit = $(P \cdot Q) - ((VC \cdot Q) + FC)$ or $TR - TC$ or $TR - (TVC + TFC)$</p> $\frac{150\,000}{6 \text{ per box}} = 25\,000 \text{ boxes}$ $25\,000 \cdot \$0.45 = \$11\,250 \text{ (TVC)}$ $\frac{\$10\,000}{2} = \$5\,000 \text{ (TFC)}$ $\$0.90 \cdot 25\,000 = \$22\,500 \text{ (TR)}$ $\$22\,500 - (\$11\,250 + \$5\,000) = \$6\,250$ <p>Correct answer is \$6250</p> <p>NB Formulae can be implied through use of relevant figures</p>	Rationale	Marks	Correct answer with or without correct working	4	Formulae or correct calculation of two from TVC or TFC or TR OR Correct calculation of TVC, TFC and TR	3	Formulae and correct calculation of one from TVC or TFC or TR OR Correct calculation of two from TVC, TFC or TR	2	Formulae or correct calculation of one from TVC or TFC or TR	1	No creditable content	0	4
Rationale	Marks													
Correct answer with or without correct working	4													
Formulae or correct calculation of two from TVC or TFC or TR OR Correct calculation of TVC, TFC and TR	3													
Formulae and correct calculation of one from TVC or TFC or TR OR Correct calculation of two from TVC, TFC or TR	2													
Formulae or correct calculation of one from TVC or TFC or TR	1													
No creditable content	0													

Question	Answer			Marks
1(b)(i)	Common incorrect answers			
	Answer	Mark	Rationale	
	22 500 – (11 250 + 10 000) = 1250 (OFR)	3	Correct calculation of TR and TVC but didn't divide FC/2 but under OFR rule mark for the final answer	
	Profit = TR-TC (1) = (0.90 · 150 000) – ((0.45 · 150 000) + 5000 (1)) = 62 500 (OFR)	3	Correct formula and calculation of TFC but didn't divide eggs/6 to arrive at boxes but under OFR rule mark for the final answer as this is the correct product of their calculation	
	22 500 – 16 250	3	Correct formula implied (1) Correct calculation of TR (1) and TC (1)	
	Profit = TR – TC (1) = (0.90 · 150 000) – ((0.45 · 150 000) + 10 000)) = 57 500 (OFR)	2	Correct formula but didn't divide FC/2 and didn't divide eggs/6 to arrive at boxes but under OFR rule mark for the final answer as this is the correct product of their calculation	
	28 500 – 25 300 = 3200 (OFR)	2	This is both production lines so 1 mark for correct (implied) formula and OFR for answer as this is the correct product of their calculation	
	Profit = TR – TC	1	Correct formula	
	TR = P · Q	1	Correct formula for TR	
	62 500	0	No working to show how arrived at this answer	
<u>1250</u>	0	No working to show how arrived at this answer		

Question	Answer	Marks																						
1(b)(ii)	<p>Explain <u>one</u> problem of CE's allocation of fixed costs.</p> <table border="1" data-bbox="288 315 1307 607"> <thead> <tr> <th data-bbox="288 315 403 378">Level</th> <th data-bbox="403 315 1193 378">Knowledge and Application</th> <th data-bbox="1193 315 1307 378">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="288 378 403 479">2 (APP)</td> <td data-bbox="403 378 1193 479">Explanation of a problem of allocating fixed costs for CE in context</td> <td data-bbox="1193 378 1307 479">2</td> </tr> <tr> <td data-bbox="288 479 403 542">1 (K)</td> <td data-bbox="403 479 1193 542">Identification of a problem with allocating fixed costs</td> <td data-bbox="1193 479 1307 542">1</td> </tr> <tr> <td data-bbox="288 542 403 607">0</td> <td data-bbox="403 542 1193 607">No creditable content</td> <td data-bbox="1193 542 1307 607">0</td> </tr> </tbody> </table> <p>Content</p> <p>The two production lines have different revenues - \$0.04 per egg (A) compared to \$0.15 per egg (B) – should both lines pay the same. Production line B has a much larger gross profit margin (50% compared for B to 32.5% for A) – paying the same fixed costs may make production line A seem unprofitable. Production line A would seem to have less processing (no sorting, bigger quantities) so should it need to pay the same as line B? We do not know how many eggs are processed by each line so it is difficult to know if the allocation is appropriate. We do not know how employees are paid, could be salaries, so line B has more employees so higher costs</p> <p>ARA</p> <p>Example of how responses should be marked</p> <table border="1" data-bbox="288 1223 1307 1917"> <thead> <tr> <th data-bbox="288 1223 799 1357">Identification of a problem (K) (1 mark)</th> <th data-bbox="799 1223 1307 1357">Explanation of a problem in context (APP) (2 marks)</th> </tr> </thead> <tbody> <tr> <td data-bbox="288 1357 799 1491">The two lines do not have the same level of output so allocation unfair</td> <td data-bbox="799 1357 1307 1491">May be unfair if the two lines have different outputs but we don't know how many eggs each line produces</td> </tr> <tr> <td data-bbox="288 1491 799 1626">One line might have higher fixed costs than the other, e.g. salaries</td> <td data-bbox="799 1491 1307 1626">Employees may be paid a salary and line B has more employees so could have higher fixed costs</td> </tr> <tr> <td data-bbox="288 1626 799 1783">One line could have less processes than the other</td> <td data-bbox="799 1626 1307 1783">Line A has less processing as they don't have to sort into sizes so unfair that they have the same fixed costs as line B</td> </tr> <tr> <td data-bbox="288 1783 799 1917">Not accurate</td> <td data-bbox="799 1783 1307 1917">CE have not identified relevant fixed costs for each line, just divided total fixed costs between the two lines</td> </tr> </tbody> </table>	Level	Knowledge and Application	Marks	2 (APP)	Explanation of a problem of allocating fixed costs for CE in context	2	1 (K)	Identification of a problem with allocating fixed costs	1	0	No creditable content	0	Identification of a problem (K) (1 mark)	Explanation of a problem in context (APP) (2 marks)	The two lines do not have the same level of output so allocation unfair	May be unfair if the two lines have different outputs but we don't know how many eggs each line produces	One line might have higher fixed costs than the other, e.g. salaries	Employees may be paid a salary and line B has more employees so could have higher fixed costs	One line could have less processes than the other	Line A has less processing as they don't have to sort into sizes so unfair that they have the same fixed costs as line B	Not accurate	CE have not identified relevant fixed costs for each line, just divided total fixed costs between the two lines	2
Level	Knowledge and Application	Marks																						
2 (APP)	Explanation of a problem of allocating fixed costs for CE in context	2																						
1 (K)	Identification of a problem with allocating fixed costs	1																						
0	No creditable content	0																						
Identification of a problem (K) (1 mark)	Explanation of a problem in context (APP) (2 marks)																							
The two lines do not have the same level of output so allocation unfair	May be unfair if the two lines have different outputs but we don't know how many eggs each line produces																							
One line might have higher fixed costs than the other, e.g. salaries	Employees may be paid a salary and line B has more employees so could have higher fixed costs																							
One line could have less processes than the other	Line A has less processing as they don't have to sort into sizes so unfair that they have the same fixed costs as line B																							
Not accurate	CE have not identified relevant fixed costs for each line, just divided total fixed costs between the two lines																							

Question	Answer				Marks
1(c)	Analyse <u>two</u> ways in which CE adds value to its products.				8
	Level	Knowledge and Application (4 marks)	Marks	Analysis (4 marks)	Marks
	2b	Shows understanding of two ways in which CE adds value to its products in context	4	Good analysis of two ways in which CE adds value to its products in context	4
	2a	Shows understanding of one way in which CE adds value to its products in context	3	Good analysis of one way in which CE adds value to its products in context	3
	1b	Shows knowledge of two ways of adding value	2	Limited analysis of two ways in which CE adds value to its products	2
	1a	Shows knowledge of one way of adding value	1	Limited analysis of one way in which CE adds value to its products	1
	0	no creditable content			0
	<p>Content</p> <p>Packaging (boxes and trays) – a cost for the firm, but has a double benefit to consumer market – protects and advertises.</p> <p>Sorting – consumers obviously see value in different sized eggs and therefore CE can probably have higher prices for large eggs and therefore gain more profit.</p> <p>Money back guarantee – little cost for the firm but builds up trust for the brand.</p> <p>Branding – food product so trust in the brand will be important.</p> <p>Convenience – availability through retailers for the consumer market – more likely to purchase than coming to the farm.</p> <p>Best before date – both in consumer and producer markets this will help to avoid wastage when purchased and again builds trust in the brand.</p>				

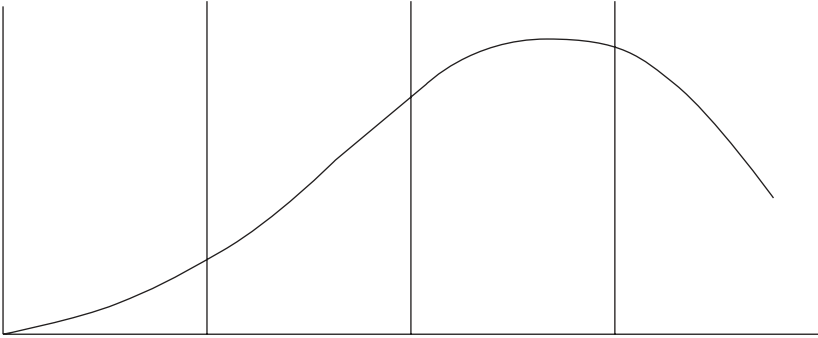
Question	Answer			Marks
1(c)	ARA			
Example of a way (K)	Examples of application/context (APP)	Examples of possible analysis (AN + DEV)		
Branding	CE has built a brand with a reputation for high quality eggs	customers are prepared to pay higher prices for a quality product (AN) which means that CE can charge a premium price for the eggs therefore increasing the added value resulting in higher profits (DEV)		
Increase the price whilst keeping costs the same	The costs of production are the same for each box but CE could charge more for the larger eggs	as customers are getting more egg in the larger sizes they won't mind paying a higher price (AN). This is also a way of segmenting their market into those who will only pay a lower price compared to those who will pay a higher price therefore maximizing CE's revenue from each segment (DEV)		
Decrease costs whilst keeping price the same	CE could use cheaper packaging for the eggs by e.g. using cheaper materials in the boxes and trays	This could damage their reputation for quality (AN) and customers may stop buying the eggs and buy those of CE's competitors instead, therefore reducing the revenue CE receives (DEV)		

Question	Answer				Marks	
1(d)	Evaluate the likely impact on the stakeholders of CE of the planned expansion.				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 more than one stakeholder in context		4	Argument based on an impact of the planned expansion on two (or more) stakeholders of CE			4
Shows understanding of one stakeholder in context		3	Argument based on an impact of the planned expansion on one stakeholder of CE			3
Shows knowledge of more than one stakeholder		2	Limited analysis of an impact of expansion on two (or more) stakeholders			2
Shows knowledge of one stakeholder		1	Limited analysis of an impact of expansion on one stakeholder			1
<p>Content</p> <p>Lian (owner) – Lian may need to fund the investment but the reward of more sales should outweigh this cost. May depend on the market growth of the retail market.</p> <p>Employees – Expansion is likely to make the current employees feel more secure – some may get promoted to supervise the new production line or training new workers.</p>						

Question	Answer				Marks										
1(d)	<p>Consumers – More retail eggs may make CE’s products more accessible, which is good for the customers. The extra investment may be recouped with higher prices, alternatively in the long run, economies of scale may lead to lower average costs/prices</p> <p>Local residents – more noise, pollution – might reduce house prices. More trucks picking up eggs?</p> <p>Business customers – Will the allocated fixed costs increase on Production Line A, increasing costs/prices on the eggs – alternatively there could be savings from economies of scale passed on to business customers.</p> <p>Shareholders – Might be asked to invest more to fund the expansion or the costs of the expansion could increase costs and reduce dividends.</p> <p>Competitors – CE’s expansion will mean that they can supply more to the market which could reduce the demand for competitors’ eggs.</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="288 896 1307 1429"> <thead> <tr> <th data-bbox="288 896 416 960">K</th> <th data-bbox="416 896 531 960">APP</th> <th data-bbox="531 896 695 960">AN</th> <th data-bbox="695 896 987 960">DEV</th> <th data-bbox="987 896 1307 960">EVAL</th> </tr> </thead> <tbody> <tr> <td data-bbox="288 960 416 1429">Owner</td> <td data-bbox="416 960 531 1429">Lian the owner</td> <td data-bbox="531 960 695 1429">Needs a loan to finance the expansion</td> <td data-bbox="695 960 987 1429">The new product line will require investment in more machinery and more employees. The employees will need to be trained. This might mean that Lian will need a bank loan, which will increase the costs and possibly reduce profit.</td> <td data-bbox="987 960 1307 1429">However, the profit from the new production line should outweigh the costs (EVAL) and allow greater distribution of the product thereby increasing market share and revenue (EVAL) so the owner will feel the greater impact from the expansion (EVAL)</td> </tr> </tbody> </table>				K	APP	AN	DEV	EVAL	Owner	Lian the owner	Needs a loan to finance the expansion	The new product line will require investment in more machinery and more employees. The employees will need to be trained. This might mean that Lian will need a bank loan, which will increase the costs and possibly reduce profit.	However, the profit from the new production line should outweigh the costs (EVAL) and allow greater distribution of the product thereby increasing market share and revenue (EVAL) so the owner will feel the greater impact from the expansion (EVAL)	
K	APP	AN	DEV	EVAL											
Owner	Lian the owner	Needs a loan to finance the expansion	The new product line will require investment in more machinery and more employees. The employees will need to be trained. This might mean that Lian will need a bank loan, which will increase the costs and possibly reduce profit.	However, the profit from the new production line should outweigh the costs (EVAL) and allow greater distribution of the product thereby increasing market share and revenue (EVAL) so the owner will feel the greater impact from the expansion (EVAL)											

Question	Answer					Marks
1(d)	<p>ARA</p> <p>An example of how an answer could develop and how it should be annotated.</p>					
		K	APP	AN	DEV	EVAL
Customer		CE have two types of customers – the industrial market and the consumer market and are to expand to retailers	Expanding to retailers will be more convenient for the customer.	Customers can get their eggs closer to home, which will cut down on travel time and cost as they no longer have to go to the farm but still can get high quality fresh eggs.	However the eggs may increase in price (EVAL) as the retailer will add a mark-up to the cost to them so customers may still travel to the farm to get the lower price (EVAL) therefore not as great an impact on the customer (EVAL)	

Question	Answer	Marks																													
2(a)(i)	<p data-bbox="288 248 783 282">Define the term ‘overdraft’ (line 21).</p> <table border="1" data-bbox="288 315 1307 577"> <thead> <tr> <th data-bbox="288 315 1193 378">Knowledge</th> <th data-bbox="1193 315 1307 378">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="288 378 1193 443">A correct definition</td> <td data-bbox="1193 378 1307 443">2</td> </tr> <tr> <td data-bbox="288 443 1193 508">A partial, vague or unfocused definition</td> <td data-bbox="1193 443 1307 508">1</td> </tr> <tr> <td data-bbox="288 508 1193 573">No creditable content</td> <td data-bbox="1193 508 1307 573">0</td> </tr> </tbody> </table> <p data-bbox="288 611 403 645">Content</p> <p data-bbox="288 645 1278 779">A banking facility which allows a person/business to go below zero in their account. In essence, money has been lent to the person/business. The amount borrowed is controlled by the overdraft holder – they take what they need as they need it – usually a short-term source of finance</p> <p data-bbox="288 813 1023 846">Award one mark for each element of a correct definition:</p> <ul data-bbox="344 846 823 1059" style="list-style-type: none"> Short term source of finance Often high rates of interest Flexible (can be used when needed) Allows an account to go below zero Helps solve cash-flow problems Current liability <table border="1" data-bbox="288 1093 1307 1816"> <thead> <tr> <th data-bbox="288 1093 831 1158">Exemplar</th> <th data-bbox="831 1093 927 1158">Mark</th> <th data-bbox="927 1093 1307 1158">Rationale</th> </tr> </thead> <tbody> <tr> <td data-bbox="288 1158 831 1256">A flexible (1) short term source of finance (1)</td> <td data-bbox="831 1158 927 1256">2</td> <td data-bbox="927 1158 1307 1256">two elements</td> </tr> <tr> <td data-bbox="288 1256 831 1424">A business can take more money out of their bank account than they have in it (1) to help with cash flow problems (1)</td> <td data-bbox="831 1256 927 1424">2</td> <td data-bbox="927 1256 1307 1424">two elements</td> </tr> <tr> <td data-bbox="288 1424 831 1520">A person can take more money out of their bank account than they have in it</td> <td data-bbox="831 1424 927 1520">1</td> <td data-bbox="927 1424 1307 1520">Only one element</td> </tr> <tr> <td data-bbox="288 1520 831 1585">A flexible source of finance</td> <td data-bbox="831 1520 927 1585">1</td> <td data-bbox="927 1520 1307 1585">Only one element</td> </tr> <tr> <td data-bbox="288 1585 831 1720">A source of finance</td> <td data-bbox="831 1585 927 1720">0</td> <td data-bbox="927 1585 1307 1720">Does not distinguish an overdraft from other sources of finance</td> </tr> <tr> <td data-bbox="288 1720 831 1816">A loan from the bank</td> <td data-bbox="831 1720 927 1816">0</td> <td data-bbox="927 1720 1307 1816">Again does not distinguish from a bank loan</td> </tr> </tbody> </table>	Knowledge	Marks	A correct definition	2	A partial, vague or unfocused definition	1	No creditable content	0	Exemplar	Mark	Rationale	A flexible (1) short term source of finance (1)	2	two elements	A business can take more money out of their bank account than they have in it (1) to help with cash flow problems (1)	2	two elements	A person can take more money out of their bank account than they have in it	1	Only one element	A flexible source of finance	1	Only one element	A source of finance	0	Does not distinguish an overdraft from other sources of finance	A loan from the bank	0	Again does not distinguish from a bank loan	2
Knowledge	Marks																														
A correct definition	2																														
A partial, vague or unfocused definition	1																														
No creditable content	0																														
Exemplar	Mark	Rationale																													
A flexible (1) short term source of finance (1)	2	two elements																													
A business can take more money out of their bank account than they have in it (1) to help with cash flow problems (1)	2	two elements																													
A person can take more money out of their bank account than they have in it	1	Only one element																													
A flexible source of finance	1	Only one element																													
A source of finance	0	Does not distinguish an overdraft from other sources of finance																													
A loan from the bank	0	Again does not distinguish from a bank loan																													

Question	Answer	Marks																														
2(a)(ii)	<p>Explain the term ‘maturity in the product life cycle’ (lines 10–11).</p> <p>Award one mark for each point of explanation:</p> <table border="1" data-bbox="288 383 1305 712"> <thead> <tr> <th></th> <th>Rationale</th> <th>Marks</th> </tr> </thead> <tbody> <tr> <td>C</td> <td>Example or some other way of showing good understanding, i.e. point to start extension strategy, sales start to decline after maturity stage</td> <td>1</td> </tr> <tr> <td>B</td> <td>Lack of growth, slow or no growth</td> <td>1</td> </tr> <tr> <td>A</td> <td>Sales at highest point/maximum sales/product life cycle peaks</td> <td>1</td> </tr> </tbody> </table> <p>Content The maturity phase of the plc is when sales are at their highest and growth has slowed or stopped. Sales may start to decline after this. The diagram below could get all 3 marks as it shows sales peaking in the maturity stage, sales growth slowing, then declining.</p> <p>Product life cycle</p>  <p>introduction growth maturity decline</p> <p>ARA</p> <table border="1" data-bbox="288 1469 1305 1960"> <thead> <tr> <th>Answer</th> <th>Mark</th> <th>Rationale</th> </tr> </thead> <tbody> <tr> <td>Sales are at their highest (A) but growth starts to slowdown (B) and is followed by the decline stage (C)</td> <td>3</td> <td>A + B + C</td> </tr> <tr> <td>Sales growth slows (B) and firms use extension strategies (C)</td> <td>2</td> <td>B + C</td> </tr> <tr> <td>Stage of maximum sales (A) and then the product enters the decline stage (C)</td> <td>2</td> <td>A + C</td> </tr> <tr> <td>Sales are at their highest (A) but stop growing (B)</td> <td>2</td> <td>A + B</td> </tr> <tr> <td>Point of peak sales (A)</td> <td>1</td> <td>A</td> </tr> </tbody> </table>		Rationale	Marks	C	Example or some other way of showing good understanding, i.e. point to start extension strategy, sales start to decline after maturity stage	1	B	Lack of growth, slow or no growth	1	A	Sales at highest point/maximum sales/product life cycle peaks	1	Answer	Mark	Rationale	Sales are at their highest (A) but growth starts to slowdown (B) and is followed by the decline stage (C)	3	A + B + C	Sales growth slows (B) and firms use extension strategies (C)	2	B + C	Stage of maximum sales (A) and then the product enters the decline stage (C)	2	A + C	Sales are at their highest (A) but stop growing (B)	2	A + B	Point of peak sales (A)	1	A	3
	Rationale	Marks																														
C	Example or some other way of showing good understanding, i.e. point to start extension strategy, sales start to decline after maturity stage	1																														
B	Lack of growth, slow or no growth	1																														
A	Sales at highest point/maximum sales/product life cycle peaks	1																														
Answer	Mark	Rationale																														
Sales are at their highest (A) but growth starts to slowdown (B) and is followed by the decline stage (C)	3	A + B + C																														
Sales growth slows (B) and firms use extension strategies (C)	2	B + C																														
Stage of maximum sales (A) and then the product enters the decline stage (C)	2	A + C																														
Sales are at their highest (A) but stop growing (B)	2	A + B																														
Point of peak sales (A)	1	A																														

Question	Answer	Marks																													
2(b)(i)	<p>Refer to Table 2.1 and any other relevant information. Calculate the value of X.</p> <table border="1" data-bbox="288 349 1305 607"> <thead> <tr> <th>Rationale</th> <th>Marks</th> </tr> </thead> <tbody> <tr> <td>Correct answer with or without correct working</td> <td>2</td> </tr> <tr> <td>Formula or correct calculation of current assets</td> <td>1</td> </tr> <tr> <td>No creditable content</td> <td>0</td> </tr> </tbody> </table> <p>Content</p> <p>Working capital = CA – CL</p> <p>$\\$18\,000 = (11\,000 + 20\,000) - (5000 + X)$ Or $(11 + 20) - (5 - X) = 8$</p> <p>Answer = \$8000 (accept 8)</p> <p>Common incorrect answers</p> <table border="1" data-bbox="288 1014 1305 1536"> <thead> <tr> <th>Answer</th> <th>Mark</th> <th>Rationale</th> </tr> </thead> <tbody> <tr> <td>8000</td> <td>2</td> <td>Correct answer even without \$</td> </tr> <tr> <td>31 000</td> <td>1</td> <td>Correct calculation of current assets</td> </tr> <tr> <td>31</td> <td>1</td> <td>Correct calculation of CA without '000'</td> </tr> <tr> <td>$31\,000 - X = 1800 = 13\,000$</td> <td>1</td> <td>Wrong answer but correct calculation of current assets</td> </tr> <tr> <td>CA – CL</td> <td>1</td> <td>Formula</td> </tr> <tr> <td>13 000</td> <td>0</td> <td>No working so not clear how arrived at this answer</td> </tr> </tbody> </table>	Rationale	Marks	Correct answer with or without correct working	2	Formula or correct calculation of current assets	1	No creditable content	0	Answer	Mark	Rationale	8000	2	Correct answer even without \$	31 000	1	Correct calculation of current assets	31	1	Correct calculation of CA without '000'	$31\,000 - X = 1800 = 13\,000$	1	Wrong answer but correct calculation of current assets	CA – CL	1	Formula	13 000	0	No working so not clear how arrived at this answer	2
Rationale	Marks																														
Correct answer with or without correct working	2																														
Formula or correct calculation of current assets	1																														
No creditable content	0																														
Answer	Mark	Rationale																													
8000	2	Correct answer even without \$																													
31 000	1	Correct calculation of current assets																													
31	1	Correct calculation of CA without '000'																													
$31\,000 - X = 1800 = 13\,000$	1	Wrong answer but correct calculation of current assets																													
CA – CL	1	Formula																													
13 000	0	No working so not clear how arrived at this answer																													

Question	Answer	Marks																											
2(b)(ii)	<p data-bbox="288 248 1305 282">Explain two possible disadvantages to FF of decreasing working capital.</p> <table border="1" data-bbox="288 315 1305 741"> <thead> <tr> <th data-bbox="288 315 547 376">Level</th> <th data-bbox="547 315 1190 376">Knowledge and Application</th> <th data-bbox="1190 315 1305 376">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="288 376 547 443">2b (APP + APP)</td> <td data-bbox="547 376 1190 443">Explanation of two disadvantages in context</td> <td data-bbox="1190 376 1305 443">4</td> </tr> <tr> <td data-bbox="288 443 547 510">2a (APP)</td> <td data-bbox="547 443 1190 510">Explanation of one disadvantage in context</td> <td data-bbox="1190 443 1305 510">3</td> </tr> <tr> <td data-bbox="288 510 547 611">1b (K + K)</td> <td data-bbox="547 510 1190 611">Identification of two disadvantages</td> <td data-bbox="1190 510 1305 611">2</td> </tr> <tr> <td data-bbox="288 611 547 678">1a (K)</td> <td data-bbox="547 611 1190 678">Identification of one disadvantage</td> <td data-bbox="1190 611 1305 678">1</td> </tr> <tr> <td data-bbox="288 678 547 741">0</td> <td data-bbox="547 678 1190 741">No creditable content</td> <td data-bbox="1190 678 1305 741">0</td> </tr> </tbody> </table> <p data-bbox="288 775 403 808">Content</p> <p data-bbox="344 808 1305 1290">Problems of paying short term debts Could FF afford to buy inventory – must be purchased in advanced and has a limited shelf life FF's overdraft may start to increase and become a 'long-term' debt which is never paid off FF does not have any/many liquid assets – could get to the point where they may run out of cash and have to stop operations. For example unable to pay wages/salary – especially important because of the labour intensive nature of production Can be used as a measure of efficiency – shareholders may want the directors to explain why it is falling Decreasing the ability of FF to pay debts especially as customers are unlikely to pay for the flowers in advance and trade receivables may increase, again.</p> <p data-bbox="288 1323 355 1357">ARA</p> <p data-bbox="288 1391 887 1424">Example of how responses should be marked</p> <table border="1" data-bbox="288 1458 1305 2022"> <thead> <tr> <th data-bbox="288 1458 579 1559">Identification of a disadvantage</th> <th data-bbox="579 1458 898 1559">Explanation of a disadvantage</th> <th data-bbox="898 1458 1305 1559">Explanation of a disadvantage in context</th> </tr> </thead> <tbody> <tr> <td data-bbox="288 1559 579 1760">Unable to pay short term debts</td> <td data-bbox="579 1559 898 1760">If working capital falls then there may not be enough money to pay short term debt</td> <td data-bbox="898 1559 1305 1760">such as suppliers of the flowers which have to be purchased in advance of a customer paying for the order</td> </tr> <tr> <td data-bbox="288 1760 579 2022">Unable to pay employees</td> <td data-bbox="579 1760 898 2022">Employees may be paid weekly or in cash. Less working capital could mean the company cannot pay their employees</td> <td data-bbox="898 1760 1305 2022">CE's employees are paid a commission based on the selling price of the flowers. Lower working capital could mean that the company cannot pay the commissions owed to the employees</td> </tr> </tbody> </table>	Level	Knowledge and Application	Marks	2b (APP + APP)	Explanation of two disadvantages in context	4	2a (APP)	Explanation of one disadvantage in context	3	1b (K + K)	Identification of two disadvantages	2	1a (K)	Identification of one disadvantage	1	0	No creditable content	0	Identification of a disadvantage	Explanation of a disadvantage	Explanation of a disadvantage in context	Unable to pay short term debts	If working capital falls then there may not be enough money to pay short term debt	such as suppliers of the flowers which have to be purchased in advance of a customer paying for the order	Unable to pay employees	Employees may be paid weekly or in cash. Less working capital could mean the company cannot pay their employees	CE's employees are paid a commission based on the selling price of the flowers. Lower working capital could mean that the company cannot pay the commissions owed to the employees	4
Level	Knowledge and Application	Marks																											
2b (APP + APP)	Explanation of two disadvantages in context	4																											
2a (APP)	Explanation of one disadvantage in context	3																											
1b (K + K)	Identification of two disadvantages	2																											
1a (K)	Identification of one disadvantage	1																											
0	No creditable content	0																											
Identification of a disadvantage	Explanation of a disadvantage	Explanation of a disadvantage in context																											
Unable to pay short term debts	If working capital falls then there may not be enough money to pay short term debt	such as suppliers of the flowers which have to be purchased in advance of a customer paying for the order																											
Unable to pay employees	Employees may be paid weekly or in cash. Less working capital could mean the company cannot pay their employees	CE's employees are paid a commission based on the selling price of the flowers. Lower working capital could mean that the company cannot pay the commissions owed to the employees																											

Question	Answer				Marks
2(c)	Analyse one advantage and one disadvantage to FF of using job production for its flower arrangements.				8
	Level	Knowledge and Application (4 marks)	Marks	Analysis (4 marks)	Marks
	2b	Shows understanding of two elements of job production in context	4	Good analysis of one disadvantage and one advantage of using job production in context	4
	2a	Shows understanding of one element of job production in context	3	Good analysis of one disadvantage or one advantage of using job production in context	3
	1b	Shows knowledge of two elements of job production	2	Limited analysis of one disadvantage and one advantage of using job production	2
	1a	Shows knowledge of one element of job production	1	Limited analysis of one disadvantage or one advantage of using job production	1
	0	No creditable content			0
<p>Content Elements of job production: Unique Hand made Made to order/bespoke One at a time Each is finished before the next is started Often labour intensive Requires skilled labour Satisficing customer – Allows FF to charge higher prices and retain loyal customers Premium prices – FF can charge a higher price for customised flower arrangements</p>					

Question	Answer	Marks												
2(c)	<p>Must be advantage and disadvantage to FF</p> <p>Advantages USP– already in a competitive market so specialist flower arrangements could give FF a USP Increased brand reputation– FF producing specialist flower arrangements which are ready in 24 hours which will be attractive to customers</p> <p>Disadvantages Lower productivity - increased costs of production/slower speed of production compared to batch production Labour intensive – higher labour costs Cost – Already got decreasing working capital, no cash and an overdraft – job production is more expensive than batch Difficult future recruitment – higher level of skills needed because of the specialist nature of job production Training – job production is highly skilled and any new employees would require specialist training, increasing costs</p> <p>NB annotate advantages on the LHS and disadvantages on the RHS</p> <p>ARA</p> <p>Advantage</p> <table border="1" data-bbox="288 1032 1305 1435"> <thead> <tr> <th data-bbox="288 1032 512 1167">Example of an element (K)</th> <th data-bbox="512 1032 815 1167">Examples of application/context (APP)</th> <th data-bbox="815 1032 1305 1167">Examples of possible analysis (AN + DEV)</th> </tr> </thead> <tbody> <tr> <td data-bbox="288 1167 512 1435">Made to customer order</td> <td data-bbox="512 1167 815 1435">Flowers are arranged according to customer internet order</td> <td data-bbox="815 1167 1305 1435">Customer satisfaction (AN) if customers are satisfied with the product they will repeat order on other occasions which will increase customer loyalty, increase FF's revenue and lead to higher profit (DEV)</td> </tr> </tbody> </table> <p>Disadvantage</p> <table border="1" data-bbox="288 1503 1305 1861"> <thead> <tr> <th data-bbox="288 1503 512 1637">Example of an element (K)</th> <th data-bbox="512 1503 815 1637">Examples of application/context (APP)</th> <th data-bbox="815 1503 1305 1637">Examples of possible analysis (AN + DEV)</th> </tr> </thead> <tbody> <tr> <td data-bbox="288 1637 512 1861">Expensive</td> <td data-bbox="512 1637 815 1861">Job production means that each worker does a flower arrangement each time so the process is labour intensive</td> <td data-bbox="815 1637 1305 1861">leading to higher labour costs (AN). This will reduce FF's profits or could mean that they have to charge a high price and could reduce FF's competitiveness and market share (DEV)</td> </tr> </tbody> </table>	Example of an element (K)	Examples of application/context (APP)	Examples of possible analysis (AN + DEV)	Made to customer order	Flowers are arranged according to customer internet order	Customer satisfaction (AN) if customers are satisfied with the product they will repeat order on other occasions which will increase customer loyalty, increase FF's revenue and lead to higher profit (DEV)	Example of an element (K)	Examples of application/context (APP)	Examples of possible analysis (AN + DEV)	Expensive	Job production means that each worker does a flower arrangement each time so the process is labour intensive	leading to higher labour costs (AN). This will reduce FF's profits or could mean that they have to charge a high price and could reduce FF's competitiveness and market share (DEV)	
Example of an element (K)	Examples of application/context (APP)	Examples of possible analysis (AN + DEV)												
Made to customer order	Flowers are arranged according to customer internet order	Customer satisfaction (AN) if customers are satisfied with the product they will repeat order on other occasions which will increase customer loyalty, increase FF's revenue and lead to higher profit (DEV)												
Example of an element (K)	Examples of application/context (APP)	Examples of possible analysis (AN + DEV)												
Expensive	Job production means that each worker does a flower arrangement each time so the process is labour intensive	leading to higher labour costs (AN). This will reduce FF's profits or could mean that they have to charge a high price and could reduce FF's competitiveness and market share (DEV)												

Question	Answer				Marks	
2(d)	Recommend non-financial motivators which FF could put in place to motivate the employees who make the low-price flower arrangements. Justify your recommendation.				11	
Knowledge and Application (4 marks)		Marks	Analysis and Evaluation (7 marks)			Marks
			Justified recommendation(s) based on argument in context			7
			Developed recommendation(s) based on argument in context			6
			An evaluative recommendation/ statement based on argument in context			5
Shows understanding of two non-financial motivators in context		4	Argument based on the use of two (or more) non-financial motivators in context			4
Shows understanding of one non-financial motivator in context		3	Argument based on the use of one non-financial motivator in context			3
Shows knowledge of two non-financial motivators		2	Limited analysis of the use of two (or more) non-financial motivators			2
Shows knowledge of one non-financial motivator		1	Limited analysis of the use of one non-financial motivator			2
<p>Content</p> <p>Training/development – as this is a lower skilled job, training is unlikely to be successful and may de-motivate if the skilled workers feel patronised by the new production process.</p> <p>Induction – Not about new workers, so the current workforce is unlikely to be motivated by induction.</p> <p>Opportunities for promotion – this may be a motivator is there are more supervision opportunities on the product production line</p> <p>Status – Will the workers who remain on the job production line fee superior to the others. This could have two effects – to motivate the job production workers and demotivate the batch production workers</p> <p>Job re-design – the workers could be involved in re-designing the new production process – this may motivate them and empower them</p>						

Question	Answer				Marks																				
2(d)	<p>Team working – The job production process was working alone, but there may be motivation from working as a group on batch production. Link to Herzberg, Maslow etc.</p> <p>Empowerment – workers may be given some control over their working practices.</p> <p>Participation – Could workers be given some input into the decision making at the firm?</p> <p>Fringe benefits/perks – Increased holidays, perks etc. may make up for reduced commission from the lower price flowers.</p> <p>Team away days – Allows team bonding which could help improve job satisfaction</p> <p>Job enrichment/job enlargement/job rotation – Increase skills/empowerment/interest</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="288 860 1307 1456"> <thead> <tr> <th data-bbox="288 860 429 913">K</th> <th data-bbox="429 860 639 913">APP</th> <th data-bbox="639 860 778 913">AN</th> <th data-bbox="778 860 1074 913">DEV</th> <th data-bbox="1074 860 1307 913">EVAL</th> </tr> </thead> <tbody> <tr> <td data-bbox="288 913 429 1456">Team away day</td> <td data-bbox="429 913 639 1456">The low-price flower arrangements will be produce using batch production. This requires team work</td> <td data-bbox="639 913 778 1456">So an away day could help with team bonding</td> <td data-bbox="778 913 1074 1456">This will increase loyalty to other members of the team. Employees will not want to let the team down so will work harder and less likely to take time off e.g. in sick days. Productivity will be higher and cost, therefore lower leading to higher profit.</td> <td data-bbox="1074 913 1307 1456">Job rotation is more effective than a team away day (EVAL) because the employee can have better skills through higher training (EVAL) and won't disrupt the production or require time away from the job (EVAL)</td> </tr> </tbody> </table> <p>ARA</p> <p>An example of how an answer could develop and how it should be annotated.</p> <table border="1" data-bbox="288 1619 1307 2047"> <thead> <tr> <th data-bbox="288 1619 429 1673">K</th> <th data-bbox="429 1619 639 1673">APP</th> <th data-bbox="639 1619 778 1673">AN</th> <th data-bbox="778 1619 1176 1673">DEV</th> <th data-bbox="1176 1619 1307 1673">EVAL</th> </tr> </thead> <tbody> <tr> <td data-bbox="288 1673 429 2047">Job rotation</td> <td data-bbox="429 1673 639 2047">There are 10 flower arrangements to be made so employees could rotate between each arrangement</td> <td data-bbox="639 1673 778 2047">Improving their skills</td> <td data-bbox="778 1673 1176 2047">Higher level of skills will make employees feel better trained. If a worker is absent from one arrangement can easily be covered by other employees if demand is greater for that particular arrangement so less disruption to the production process.</td> <td data-bbox="1176 1673 1307 2047"></td> </tr> </tbody> </table>				K	APP	AN	DEV	EVAL	Team away day	The low-price flower arrangements will be produce using batch production. This requires team work	So an away day could help with team bonding	This will increase loyalty to other members of the team. Employees will not want to let the team down so will work harder and less likely to take time off e.g. in sick days. Productivity will be higher and cost, therefore lower leading to higher profit.	Job rotation is more effective than a team away day (EVAL) because the employee can have better skills through higher training (EVAL) and won't disrupt the production or require time away from the job (EVAL)	K	APP	AN	DEV	EVAL	Job rotation	There are 10 flower arrangements to be made so employees could rotate between each arrangement	Improving their skills	Higher level of skills will make employees feel better trained. If a worker is absent from one arrangement can easily be covered by other employees if demand is greater for that particular arrangement so less disruption to the production process.		
K	APP	AN	DEV	EVAL																					
Team away day	The low-price flower arrangements will be produce using batch production. This requires team work	So an away day could help with team bonding	This will increase loyalty to other members of the team. Employees will not want to let the team down so will work harder and less likely to take time off e.g. in sick days. Productivity will be higher and cost, therefore lower leading to higher profit.	Job rotation is more effective than a team away day (EVAL) because the employee can have better skills through higher training (EVAL) and won't disrupt the production or require time away from the job (EVAL)																					
K	APP	AN	DEV	EVAL																					
Job rotation	There are 10 flower arrangements to be made so employees could rotate between each arrangement	Improving their skills	Higher level of skills will make employees feel better trained. If a worker is absent from one arrangement can easily be covered by other employees if demand is greater for that particular arrangement so less disruption to the production process.																						