



Cambridge International AS & A Level

BUSINESS

9609/23

Paper 2 Data Response

October/November 2022

MARK SCHEME

Maximum Mark: 60

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the October/November 2022 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

This document consists of **23** 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.

**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.

PREPARATION FOR MARKING

- 1 Make sure that you have completed the relevant training and have access to the *RM Assessor Guide*.
- 2 Make sure that you have read and understand the question paper, which you can download from <https://support.rm.com/ca>
- 3 Log in to RM Assessor then mark and submit the required number of practice and standardisation scripts. You will need to mark the standardisation scripts to the required accuracy in order to be approved for marking live scripts. You may be asked to re-mark them, or to mark a second sample, if you do not meet the required accuracy on your first attempt.

MARKING PROCESS

- 1 Mark strictly to the FINAL mark scheme, applying the criteria consistently and the general marking principles outlined on the previous page.
- 2 If you are in doubt about applying the mark scheme, consult your Team Leader.
- 3 Mark at a steady rate through the marking period. Do not rush, and do not leave too much until the end. If you anticipate a problem in meeting the deadline, contact your Team Leader immediately and the Examiners' Helpdesk.
- 4 Examiners will prepare a brief report on the performance of candidates to send to their Team Leader via email by the end of the marking period. The Examiner should note strengths seen in answers and common errors or weaknesses. Constructive comments on the question paper, mark scheme or procedures are also appreciated.

MARKING SPECIFICS**Crossed out work**

- 1 **All** of a candidate's answers, ***crossed out or not, optional or not, must be marked.***
- 2 The only response not to be marked is one that has been crossed out and replaced by another response for that exact same question.
- 3 Consequently, if a candidate has crossed out their response to an optional question and gone on to answer a different optional question then both attempts must be marked. The higher mark will be awarded by the system according to the rubric.

0 (zero) marks or NR (no response)

- 1 Award **NR** if there is nothing at all written in answer to that question (often the case for optional questions).
- 2 Award **NR** if there is a comment which is not an attempt at the question (e.g. 'can't do it' or 'don't know' etc.)
- 3 Award **NR** if there is a symbol which is not an attempt at the question, such as a dash or question mark.
- 4 Award **0** (zero) if there is any attempt at the question which does not score marks. This includes copying the question onto an Answer Booklet.

Annotation

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

| Question | Answer | Marks | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|-----------|-------|----------------------|---|--|---|-----------------------|---|----------|-----------|-------|-------------------------------|---------------|---|--|---------------|---|--------------------|---------------|---|--------------------------|---------------|---|--|-------------|---|----------------------------------|-------------|---|---|----------------------|---|---|
| 1(a)(i) | <p data-bbox="316 248 799 282">Define the term ‘revenue’ (line 10).</p> <table border="1" data-bbox="320 315 1310 577"> <thead> <tr> <th data-bbox="320 315 1158 380">Knowledge</th> <th data-bbox="1158 315 1310 380">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 380 1158 448">A correct definition</td> <td data-bbox="1158 380 1310 448">2</td> </tr> <tr> <td data-bbox="320 448 1158 515">A partial, vague or unfocused definition</td> <td data-bbox="1158 448 1310 515">1</td> </tr> <tr> <td data-bbox="320 515 1158 577">No creditable content</td> <td data-bbox="1158 515 1310 577">0</td> </tr> </tbody> </table> <p data-bbox="316 611 1066 645">A correct definition should include the following elements:</p> <ul data-bbox="316 647 826 714" style="list-style-type: none"> • the income received by a business • for selling products and services. <table border="1" data-bbox="320 748 1310 1473"> <thead> <tr> <th data-bbox="320 748 740 813">Exemplar</th> <th data-bbox="740 748 1158 813">Rationale</th> <th data-bbox="1158 748 1310 813">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 813 740 880">Selling price × quantity sold</td> <td data-bbox="740 813 1158 880">Both elements</td> <td data-bbox="1158 813 1310 880">2</td> </tr> <tr> <td data-bbox="320 880 740 981">The money received by a business from selling goods.</td> <td data-bbox="740 880 1158 981">Both elements</td> <td data-bbox="1158 880 1310 981">2</td> </tr> <tr> <td data-bbox="320 981 740 1048">Income from sales.</td> <td data-bbox="740 981 1158 1048">Both elements</td> <td data-bbox="1158 981 1310 1048">2</td> </tr> <tr> <td data-bbox="320 1048 740 1115">Total value of all sales</td> <td data-bbox="740 1048 1158 1115">Both elements</td> <td data-bbox="1158 1048 1310 1115">2</td> </tr> <tr> <td data-bbox="320 1115 740 1238">Money earned due to the payment of price from the customer</td> <td data-bbox="740 1115 1158 1238">One element</td> <td data-bbox="1158 1115 1310 1238">1</td> </tr> <tr> <td data-bbox="320 1238 740 1339">The cash received by a business.</td> <td data-bbox="740 1238 1158 1339">One element</td> <td data-bbox="1158 1238 1310 1339">1</td> </tr> <tr> <td data-bbox="320 1339 740 1473">What a business has to pay to produce goods and services.</td> <td data-bbox="740 1339 1158 1473">Confusion with costs</td> <td data-bbox="1158 1339 1310 1473">0</td> </tr> </tbody> </table> | Knowledge | Marks | A correct definition | 2 | A partial, vague or unfocused definition | 1 | No creditable content | 0 | Exemplar | Rationale | Marks | Selling price × quantity sold | Both elements | 2 | The money received by a business from selling goods. | Both elements | 2 | Income from sales. | Both elements | 2 | Total value of all sales | Both elements | 2 | Money earned due to the payment of price from the customer | One element | 1 | The cash received by a business. | One element | 1 | What a business has to pay to produce goods and services. | Confusion with costs | 0 | 2 |
| Knowledge | Marks | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| A correct definition | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| A partial, vague or unfocused definition | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| No creditable content | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Exemplar | Rationale | Marks | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Selling price × quantity sold | Both elements | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| The money received by a business from selling goods. | Both elements | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Income from sales. | Both elements | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total value of all sales | Both elements | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Money earned due to the payment of price from the customer | One element | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| The cash received by a business. | One element | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| What a business has to pay to produce goods and services. | Confusion with costs | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Question | Answer | Marks | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|----------|---|--------|----------|--------------------------|--------|----------|---|--------|----------|-----------|-------|---|---------------------|---|--|---------------------|---|----------------|---------|---|--|---|---|--|---|---|---|
| 1(a)(ii) | <p>Explain the term ‘above the line promotion’ (line 6).</p> <p>Award one mark for each point of explanation:</p> <table border="1" data-bbox="320 383 1310 645"> <tbody> <tr> <td data-bbox="320 383 395 483">C</td> <td data-bbox="395 383 1158 483">Example or some other way of showing good understanding</td> <td data-bbox="1158 383 1310 483">1 mark</td> </tr> <tr> <td data-bbox="320 483 395 548">B</td> <td data-bbox="395 483 1158 548">Through a media/paid for</td> <td data-bbox="1158 483 1310 548">1 mark</td> </tr> <tr> <td data-bbox="320 548 395 645">A</td> <td data-bbox="395 548 1158 645">Communication/advertising/creating awareness to consumers/customers</td> <td data-bbox="1158 548 1310 645">1 mark</td> </tr> </tbody> </table> <p>Note: Do not award C mark unless A and B marks have been awarded.</p> <p>Content Above the line promotion is the use of media to promote a business and reach out to the target consumers.</p> <p>These include conventional media, television and radio advertising, print as well as internet. This is communication that is targeted to a wider spread of audience and is not specific to individual consumers.</p> <table border="1" data-bbox="320 1016 1310 1908"> <thead> <tr> <th data-bbox="320 1016 740 1081">Exemplar</th> <th data-bbox="740 1016 1158 1081">Rationale</th> <th data-bbox="1158 1016 1310 1081">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 1081 740 1249">Above the line promotion is where a business advertises (A) using media (B) such as television (C).</td> <td data-bbox="740 1081 1158 1249">All three elements.</td> <td data-bbox="1158 1081 1310 1249">3</td> </tr> <tr> <td data-bbox="320 1249 740 1480">When a business pays another business (B) to communicate (A) about its services, for example when Coke pays a radio station to play an advert (C).</td> <td data-bbox="740 1249 1158 1480">All three elements.</td> <td data-bbox="1158 1249 1310 1480">3</td> </tr> <tr> <td data-bbox="320 1480 740 1545">Tv advertising</td> <td data-bbox="740 1480 1158 1545">A and B</td> <td data-bbox="1158 1480 1310 1545">2</td> </tr> <tr> <td data-bbox="320 1545 740 1744">ATL promotion is a form of communication (A) between the business and the consumer, for example a billboard.</td> <td data-bbox="740 1545 1158 1744">A only – do not award the C mark unless B has been awarded.</td> <td data-bbox="1158 1545 1310 1744">1</td> </tr> <tr> <td data-bbox="320 1744 740 1908">Above the line promotion is when an employee is promoted from within the business.</td> <td data-bbox="740 1744 1158 1908">Confusion with promotion in employment.</td> <td data-bbox="1158 1744 1310 1908">0</td> </tr> </tbody> </table> | C | Example or some other way of showing good understanding | 1 mark | B | Through a media/paid for | 1 mark | A | Communication/advertising/creating awareness to consumers/customers | 1 mark | Exemplar | Rationale | Marks | Above the line promotion is where a business advertises (A) using media (B) such as television (C). | All three elements. | 3 | When a business pays another business (B) to communicate (A) about its services, for example when Coke pays a radio station to play an advert (C). | All three elements. | 3 | Tv advertising | A and B | 2 | ATL promotion is a form of communication (A) between the business and the consumer, for example a billboard. | A only – do not award the C mark unless B has been awarded. | 1 | Above the line promotion is when an employee is promoted from within the business. | Confusion with promotion in employment. | 0 | 3 |
| C | Example or some other way of showing good understanding | 1 mark | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| B | Through a media/paid for | 1 mark | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| A | Communication/advertising/creating awareness to consumers/customers | 1 mark | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Exemplar | Rationale | Marks | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Above the line promotion is where a business advertises (A) using media (B) such as television (C). | All three elements. | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| When a business pays another business (B) to communicate (A) about its services, for example when Coke pays a radio station to play an advert (C). | All three elements. | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Tv advertising | A and B | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ATL promotion is a form of communication (A) between the business and the consumer, for example a billboard. | A only – do not award the C mark unless B has been awarded. | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Above the line promotion is when an employee is promoted from within the business. | Confusion with promotion in employment. | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Question | Answer | Marks | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|------------------------|-------|---|---|-------------------------------------|---|---------|---|-----------------------|---|--------|------|-----------|-----|---|----------------|---------------|---|------------------------|------------------------------|---|--------------|------------------|---|--|---|
| 1(b)(i) | <p>Refer to Table 1.1. Calculate the break-even number of customers for Venue B.</p> <table border="1"> <thead> <tr> <th>Rationale</th> <th>Marks</th> </tr> </thead> <tbody> <tr> <td>Correct answer with or without correct working or units</td> <td>3</td> </tr> <tr> <td>Correct calculation of contribution</td> <td>2</td> </tr> <tr> <td>Formula</td> <td>1</td> </tr> <tr> <td>No creditable content</td> <td>0</td> </tr> </tbody> </table> <p>Content</p> $\frac{\text{Fixed Costs}}{\text{Price} - \text{VC per unit (contribution)}} = \14 $\frac{\$2000}{\$14} = 142.9$ <p>Answer = 143 customers (3) allow 142.88, 142.9 OFR</p> <p>Common incorrect answers</p> <table border="1"> <thead> <tr> <th>Answer</th> <th>Mark</th> <th>Rationale</th> </tr> </thead> <tbody> <tr> <td>143</td> <td>3</td> <td>Correct answer</td> </tr> <tr> <td>2000/14 = 142</td> <td>2</td> <td>Incorrect final answer</td> </tr> <tr> <td>BE = fixed cost/contribution</td> <td>1</td> <td>Formula only</td> </tr> <tr> <td>142 (no working)</td> <td>0</td> <td></td> </tr> </tbody> </table> | Rationale | Marks | Correct answer with or without correct working or units | 3 | Correct calculation of contribution | 2 | Formula | 1 | No creditable content | 0 | Answer | Mark | Rationale | 143 | 3 | Correct answer | 2000/14 = 142 | 2 | Incorrect final answer | BE = fixed cost/contribution | 1 | Formula only | 142 (no working) | 0 | | 3 |
| Rationale | Marks | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Correct answer with or without correct working or units | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Correct calculation of contribution | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Formula | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| No creditable content | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Answer | Mark | Rationale | | | | | | | | | | | | | | | | | | | | | | | | | |
| 143 | 3 | Correct answer | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2000/14 = 142 | 2 | Incorrect final answer | | | | | | | | | | | | | | | | | | | | | | | | | |
| BE = fixed cost/contribution | 1 | Formula only | | | | | | | | | | | | | | | | | | | | | | | | | |
| 142 (no working) | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Question | Answer | | Marks |
|----------|--|--|-------------------------------------|
| 1(b)(ii) | Explain <u>one</u> way in which PM could use break-even data. | | 3 |
| | Level | Knowledge and Application | Marks |
| | 2b (APP) | Explanation of one way a business can use break even data in context | 3 |
| | 2a (K+K) | Explanation of one way a business can use break even data | 2 |
| | 1 (K) | Identification of way a business can use break even data | 1 |
| | 0 | No creditable content | 0 |
| | Note: OFR from answer to Q1(b)(i) | | |
| | Content | | |
| | <ul style="list-style-type: none"> • Shows how many customers are needed at each venue (venue B = 143 OFR) so that PM can start making a profit from each venue. • Helps PM to see which venues are likely to be most profitable (venue B is most profitable). • Shows PM the likely margin of safety for future venues (venue B MOS = 457 OFR). • PM can model different prices for different venues and make sure a minimum level of profit is gained. | | |
| | ARA | | |
| | Exemplar | Mark | Rationale |
| | Helps in business decision making (k) to see which shows and movies (app) are most popular (kk) | 3 | All three elements seen |
| | Calculates (Shows) the income/revenue needed to make a profit (k) to check the financial health of the business (kk) | 2 | No application |
| | Reach a point where they don't lose money | 1 | Minimum requirements for break even |

| Question | Answer | | | | | | Marks |
|---|--|--|--------------|-----------|---|--------------|-----------|
| 1(c) | Analyse <u>two</u> advantages to PM of training the team of customer service workers. | | | | | | 8 |
| | Level | Knowledge and Application (4 marks) | Marks | | Analysis (4 marks) | Marks | |
| | 2b | Shows understanding of two advantages of training in context | 4 | APP + APP | Developed analysis of two advantages of training in context | 4 | DEV + DEV |
| | 2a | Shows understanding of one advantage of training in context | 3 | APP | Developed analysis of one advantage of training in context | 3 | DEV |
| | 1b | Shows knowledge of two advantages of training | 2 | K + K | Limited analysis of two advantages of training | 2 | AN + AN |
| | 1a | Shows knowledge one advantage of training | 1 | K | Limited analysis of one advantage of training | 1 | AN |
| | 0 | No creditable content | | | | | |
| <p>Content:</p> <p>Training is the action of improving an employee's knowledge and/or skills.</p> <p>Indicative content AO1 Knowledge and understanding Knowledge of training may include:</p> <ul style="list-style-type: none"> • Increase productivity • Improve customer service • Motivate the workers • reduce customer complaints • reduce damages • Improve communication | | | | | | | |

| Question | Answer | Marks | | | | | | | | | | | | |
|-----------------------|--|---------------------------------------|-----------------------------------|----|-----|-----------------------|-----------------------------|---------------------------------------|--------------------------------|----------------------|----------------------------|---------------------------------|-----------------------------------|--|
| 1(c) | <p>AO2 Application Application may include:</p> <ul style="list-style-type: none"> • show customers to their seats – workers will need to know the seating configuration, where each seat is. • sell food and drink – PM sells soft drinks, popcorn and other snacks • assist with parking for those customers who bring a car (valet parking) • workers may need training on driving customer cars, customer service training etc. <p>AO3 Analysis Analysis may include:</p> <ul style="list-style-type: none"> • Increased productivity – (increase the sales of food and drink, park customer cars quicker/more efficiently) – may increase revenue. • Increase customer satisfaction – repeat purchases etc. • increase employee satisfaction – decrease staff turnover. • Reduce customer complaints – decrease costs/increase customer retention. • Reduce damages – decrease costs. • Improve communication – decrease speed of set up and take down (of screen and seating). <p>ARA</p> <p>Examples of how an answer could develop and how it should be annotated.</p> <table border="1" data-bbox="328 1108 1302 1435"> <thead> <tr> <th data-bbox="328 1108 560 1173">K</th> <th data-bbox="560 1108 791 1173">APP</th> <th data-bbox="791 1108 1023 1173">AN</th> <th data-bbox="1023 1108 1302 1173">DEV</th> </tr> </thead> <tbody> <tr> <td data-bbox="328 1173 560 1305">Can be more efficient</td> <td data-bbox="560 1173 791 1305">When selling food and drink</td> <td data-bbox="791 1173 1023 1305">Avoids people waiting for a long time</td> <td data-bbox="1023 1173 1302 1305">So they will be more satisfied</td> </tr> <tr> <td data-bbox="328 1305 560 1435">Can motivate workers</td> <td data-bbox="560 1305 791 1435">In charge of valet parking</td> <td data-bbox="791 1305 1023 1435">Will offer an excellent service</td> <td data-bbox="1023 1305 1302 1435">And increase the brand reputation</td> </tr> </tbody> </table> | K | APP | AN | DEV | Can be more efficient | When selling food and drink | Avoids people waiting for a long time | So they will be more satisfied | Can motivate workers | In charge of valet parking | Will offer an excellent service | And increase the brand reputation | |
| K | APP | AN | DEV | | | | | | | | | | | |
| Can be more efficient | When selling food and drink | Avoids people waiting for a long time | So they will be more satisfied | | | | | | | | | | | |
| Can motivate workers | In charge of valet parking | Will offer an excellent service | And increase the brand reputation | | | | | | | | | | | |

| Question | Answer | | | | | | Marks |
|--|---|-------------------|---|--------------|--------------------|--|-----------|
| 1(d) | Evaluate the economies of scale that PM might gain from booking larger venues. | | | | | | 11 |
| Knowledge and Application (4 marks) | Marks | Annotation | Analysis and Evaluation (7 marks) | Marks | Annotation | | |
| | | | Justified evaluation based on arguments in context | 7 | EVAL + EVAL + EVAL | | |
| | | | Developed evaluation based on arguments in context | 6 | EVAL + EVAL | | |
| | | | An evaluative statement based on arguments in context | 5 | EVAL | | |
| Shows understanding of two economies of scale in context | 4 | APP + APP | Arguments based on two economies of scale in context | 4 | DEV + DEV | | |
| Shows understanding of one economy of scale in context | 3 | APP | Argument based on one economy of scale in context | 3 | DEV | | |
| Knowledge of two economies of scale | 2 | K + K | Limited analysis of two economies of scale | 2 | AN + AN | | |
| Shows knowledge of one economy of scale | 1 | K | Limited analysis of one economy of scale | 1 | AN | | |
| No creditable content | | | | 0 | | | |

| | | |
|------|---|--|
| 1(d) | <p>Indicative content:</p> <p>AO1 knowledge and understanding Knowledge of economies of scale may include:</p> <ul style="list-style-type: none"> • Internal economies of scale: <ul style="list-style-type: none"> – purchasing, – marketing, – financial, – technical, – managerial/specialist, – risk-bearing. • External economies of scale: <ul style="list-style-type: none"> – concentration, – infrastructure. <p>Note: describing an EoS is allowable as Knowledge</p> <p>AO2 Application Application may include:</p> <ul style="list-style-type: none"> • Moving to larger venues – more seats • Films projected on to big screen. • Temporary contracts for 20 employees at each venue – may need more workers. • Transportation of consumables (food and drink). • Set up and take down of the screen (a day for each). • Six weeks above the line promotion before each venue. <p>AO3 Analysis Analysis may include:</p> <ul style="list-style-type: none"> • Purchasing – able to bulk buy consumables for a venue which may reduce unit cost of these items – increase profitability (assuming same price) or decreased price – increased sales/competitiveness. • Marketing – ATL promotion can be spread over larger venue – reduce average costs – profitability – however will the length and amount of promotion need to be increased for ten times the length of time at a venue? • Financial – limited context – increased venue may lead to a larger business and therefore lower average finance costs. • Technical – may be able to afford a better projector or screen – reducing average costs. May be able to afford more recent films? • Managerial/specialist – can employ workers for a longer time period – training spread over more customers, can afford to employ better salespeople (food and drink), valet parkers, better customer service. • Risk-bearing – costs spread over a larger number of customers – however spread over less venues – the wrong venue might increase risk. <p>AO4 Evaluation Evaluation may include:</p> <ul style="list-style-type: none"> • A judgement over the economies of scale. • Evaluation of the relative impact of different economies of scale. • Elements that the evaluation/judgement might depend upon – local competitors, the chosen venue(s), workers available in the area, length of time needed to market before longer event, availability of larger venues, demand etc. | |
|------|---|--|

| Question | Answer | | | | | Marks | | | | | | | | | | | | | | |
|--------------|---|--|--|--|--|-------|-----|----|-----|------|----------|---|---------------------------|--------------------------|--|--------------|--|--|--|--|
| 1(d) | <p>ARA</p> <p>Examples of how an answer could develop and how it should be annotated.</p> <table border="1" data-bbox="323 349 1310 1016"> <thead> <tr> <th data-bbox="323 349 512 414">K</th> <th data-bbox="517 349 703 414">APP</th> <th data-bbox="708 349 895 414">AN</th> <th data-bbox="900 349 1086 414">DEV</th> <th data-bbox="1091 349 1310 414">EVAL</th> </tr> </thead> <tbody> <tr> <td data-bbox="323 421 512 611">internal</td> <td data-bbox="517 421 703 611">Purchasing bulk products for the food stand</td> <td data-bbox="708 421 895 611">Reduces unit cost of item</td> <td data-bbox="900 421 1086 611">Increases profit margins</td> <td data-bbox="1091 421 1310 611" rowspan="2">The economies of scale will be mostly beneficial for PM Likely to increase overall profits However depends upon whether marketing is successful and the film choice is suitable for the audience</td> </tr> <tr> <td data-bbox="323 618 512 1016">Risk bearing</td> <td data-bbox="517 618 703 1016">As allocated fixed costs remain static at \$2000</td> <td data-bbox="708 618 895 1016">Increases margin of safety over 143 BE point</td> <td data-bbox="900 618 1086 1016">However can reduce atmosphere if larger venues are empty</td> </tr> </tbody> </table> | | | | | K | APP | AN | DEV | EVAL | internal | Purchasing bulk products for the food stand | Reduces unit cost of item | Increases profit margins | The economies of scale will be mostly beneficial for PM Likely to increase overall profits However depends upon whether marketing is successful and the film choice is suitable for the audience | Risk bearing | As allocated fixed costs remain static at \$2000 | Increases margin of safety over 143 BE point | However can reduce atmosphere if larger venues are empty | |
| K | APP | AN | DEV | EVAL | | | | | | | | | | | | | | | | |
| internal | Purchasing bulk products for the food stand | Reduces unit cost of item | Increases profit margins | The economies of scale will be mostly beneficial for PM Likely to increase overall profits However depends upon whether marketing is successful and the film choice is suitable for the audience | | | | | | | | | | | | | | | | |
| Risk bearing | As allocated fixed costs remain static at \$2000 | Increases margin of safety over 143 BE point | However can reduce atmosphere if larger venues are empty | | | | | | | | | | | | | | | | | |

| Question | Answer | Marks | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|-------------------------------------|-------|----------------------|---|--|---|-----------------------|---|----------|------|-----------|--|---|----------------------|--|---|-----------------------|----------------------------|---|--------------------|--|---|--------------------|--------------------------|---|-------------------------------|---|---|-------------------------------------|---|
| 2(a)(i) | <p>Define the term ‘batch production’ (line 17).</p> <table border="1" data-bbox="320 315 1310 577"> <thead> <tr> <th data-bbox="320 315 1158 380">Knowledge</th> <th data-bbox="1158 315 1310 380">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 380 1158 448">A correct definition</td> <td data-bbox="1158 380 1310 448">2</td> </tr> <tr> <td data-bbox="320 448 1158 515">A partial, vague or unfocused definition</td> <td data-bbox="1158 448 1310 515">1</td> </tr> <tr> <td data-bbox="320 515 1158 577">No creditable content</td> <td data-bbox="1158 515 1310 577">0</td> </tr> </tbody> </table> <p>A correct definition should include the following elements:</p> <ul style="list-style-type: none"> • Separate groups/set amount/limited number – do not accept batch. • Go through production process together before moving on to the next. <p>Batch production is where quantities of identical goods are produced in small groups. They go through the production process at the same time. Production is then switched over to allow another batch to be produced.</p> <p>Example(s) not required.</p> <table border="1" data-bbox="320 949 1310 1709"> <thead> <tr> <th data-bbox="320 949 740 1014">Exemplar</th> <th data-bbox="740 949 892 1014">Mark</th> <th data-bbox="892 949 1310 1014">Rationale</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 1014 740 1216">Batch production is where quantities of identical goods are produced together and then move on to the next process</td> <td data-bbox="740 1014 892 1216">2</td> <td data-bbox="892 1014 1310 1216">A correct definition</td> </tr> <tr> <td data-bbox="320 1216 740 1350">A group of products go from one stage of production to the next together</td> <td data-bbox="740 1216 892 1350">2</td> <td data-bbox="892 1216 1310 1350">Both elements covered</td> </tr> <tr> <td data-bbox="320 1350 740 1417">Produced at the same stage</td> <td data-bbox="740 1350 892 1417">1</td> <td data-bbox="892 1350 1310 1417">Partial definition</td> </tr> <tr> <td data-bbox="320 1417 740 1507">When products are made in small quantities</td> <td data-bbox="740 1417 892 1507">1</td> <td data-bbox="892 1417 1310 1507">Partial definition</td> </tr> <tr> <td data-bbox="320 1507 740 1619">Products made one a time</td> <td data-bbox="740 1507 892 1619">0</td> <td data-bbox="892 1507 1310 1619">Confusion with job production</td> </tr> <tr> <td data-bbox="320 1619 740 1709">Products made continuously and are all the same</td> <td data-bbox="740 1619 892 1709">0</td> <td data-bbox="892 1619 1310 1709">Confusion with flow/mass production</td> </tr> </tbody> </table> | Knowledge | Marks | A correct definition | 2 | A partial, vague or unfocused definition | 1 | No creditable content | 0 | Exemplar | Mark | Rationale | Batch production is where quantities of identical goods are produced together and then move on to the next process | 2 | A correct definition | A group of products go from one stage of production to the next together | 2 | Both elements covered | Produced at the same stage | 1 | Partial definition | When products are made in small quantities | 1 | Partial definition | Products made one a time | 0 | Confusion with job production | Products made continuously and are all the same | 0 | Confusion with flow/mass production | 2 |
| Knowledge | Marks | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| A correct definition | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| A partial, vague or unfocused definition | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| No creditable content | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Exemplar | Mark | Rationale | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Batch production is where quantities of identical goods are produced together and then move on to the next process | 2 | A correct definition | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| A group of products go from one stage of production to the next together | 2 | Both elements covered | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Produced at the same stage | 1 | Partial definition | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| When products are made in small quantities | 1 | Partial definition | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Products made one a time | 0 | Confusion with job production | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Products made continuously and are all the same | 0 | Confusion with flow/mass production | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Question | Answer | Marks | | | | | | | | | |
|----------|--|----------|--|--------|----------|--|--------|----------|---|--------|----------|
| 2(a)(ii) | <p>Explain the role of an ‘entrepreneur’. (line 1)</p> <p>Award one mark for each point of explanation</p> <table border="1" data-bbox="320 349 1310 611"> <tbody> <tr> <td data-bbox="320 349 400 450">C</td> <td data-bbox="400 349 1158 450">Example or some other way of showing good understanding.</td> <td data-bbox="1158 349 1310 450">1 mark</td> </tr> <tr> <td data-bbox="320 450 400 512">B</td> <td data-bbox="400 450 1158 512">Understanding of one or more roles of an entrepreneur.</td> <td data-bbox="1158 450 1310 512">1 mark</td> </tr> <tr> <td data-bbox="320 512 400 611">A</td> <td data-bbox="400 512 1158 611">Knowledge of what an entrepreneur is/knowledge of a characteristic of an entrepreneur</td> <td data-bbox="1158 512 1310 611">1 mark</td> </tr> </tbody> </table> <p>Content</p> <p>An entrepreneur is a person who sets up a business and takes on financial risks in the hope of profit. Someone who co-ordinates the other factors of production.</p> <p>The role of an entrepreneur includes: 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 • entrepreneurship is one of the factors of production • organises the factors of production • organises/raises/provides finance • an example of an entrepreneur • Takes initiative – starting a business and planning ahead. • Innovative - changing, adapting and developing their products and the way they do things in a business. • Identifying opportunities - new products and opportunities to expand into different markets. • Organising resources – to effectively manage employees, money, buildings, products and any other business resources. | C | Example or some other way of showing good understanding. | 1 mark | B | Understanding of one or more roles of an entrepreneur. | 1 mark | A | Knowledge of what an entrepreneur is/knowledge of a characteristic of an entrepreneur | 1 mark | 3 |
| C | Example or some other way of showing good understanding. | 1 mark | | | | | | | | | |
| B | Understanding of one or more roles of an entrepreneur. | 1 mark | | | | | | | | | |
| A | Knowledge of what an entrepreneur is/knowledge of a characteristic of an entrepreneur | 1 mark | | | | | | | | | |

| Question | Answer | Marks | | | | | | | | | | | | | | | |
|--|--|-----------|-----------|---|--|--|---|---|---------------------|-----------------------|---|---|---|------------|--------|---|--|
| 2(a)(ii) | <p>Examples might include, specific businesses/entrepreneurs/decisions made.</p> <table border="1" data-bbox="320 315 1310 842"> <thead> <tr> <th data-bbox="320 315 740 378">Exemplar</th> <th data-bbox="740 315 1158 378">Rationale</th> <th data-bbox="1158 315 1310 378">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 378 740 546">A risk taker who sets up a business to make a profit, deciding the business' market and activities</td> <td data-bbox="740 378 1158 546">All three elements.</td> <td data-bbox="1158 378 1310 546">3</td> </tr> <tr> <td data-bbox="320 546 740 645">A risk taker who sets up a business to make a profit,</td> <td data-bbox="740 546 1158 645">All three elements.</td> <td data-bbox="1158 546 1310 645">3</td> </tr> <tr> <td data-bbox="320 645 740 779">Takes the risk of bringing together the factors of production</td> <td data-bbox="740 645 1158 779">A mark for risk and courage and B for brings together the factors of production</td> <td data-bbox="1158 645 1310 779">2</td> </tr> <tr> <td data-bbox="320 779 740 842">Risk taker</td> <td data-bbox="740 779 1158 842">A only</td> <td data-bbox="1158 779 1310 842">1</td> </tr> </tbody> </table> <p>ARA</p> | Exemplar | Rationale | Marks | A risk taker who sets up a business to make a profit, deciding the business' market and activities | All three elements. | 3 | A risk taker who sets up a business to make a profit, | All three elements. | 3 | Takes the risk of bringing together the factors of production | A mark for risk and courage and B for brings together the factors of production | 2 | Risk taker | A only | 1 | |
| Exemplar | Rationale | Marks | | | | | | | | | | | | | | | |
| A risk taker who sets up a business to make a profit, deciding the business' market and activities | All three elements. | 3 | | | | | | | | | | | | | | | |
| A risk taker who sets up a business to make a profit, | All three elements. | 3 | | | | | | | | | | | | | | | |
| Takes the risk of bringing together the factors of production | A mark for risk and courage and B for brings together the factors of production | 2 | | | | | | | | | | | | | | | |
| Risk taker | A only | 1 | | | | | | | | | | | | | | | |
| 2(b)(i) | <p>Refer to Table 2.1. Calculate the change in PP's market share between 2020 and 2021.</p> <table border="1" data-bbox="320 1043 1310 1368"> <thead> <tr> <th data-bbox="320 1043 1158 1106">Rationale</th> <th data-bbox="1158 1043 1310 1106">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 1106 1158 1169">Correct answer with or without correct working or %</td> <td data-bbox="1158 1106 1310 1169">3</td> </tr> <tr> <td data-bbox="320 1169 1158 1232">Correct calculation of both market share figures</td> <td data-bbox="1158 1169 1310 1232">2</td> </tr> <tr> <td data-bbox="320 1232 1158 1294">Formula or correct calculation of one market share figure</td> <td data-bbox="1158 1232 1310 1294">1</td> </tr> <tr> <td data-bbox="320 1294 1158 1368">No creditable content</td> <td data-bbox="1158 1294 1310 1368">0</td> </tr> </tbody> </table> <p>Content</p> $\frac{\text{Business sales volume}}{\text{Market sales volume}} \times 100$ $\frac{0.8\text{m}}{3.2\text{m}} \times 100 = 25\% \text{ (2020)}$ $\frac{0.82\text{m}}{4.1\text{m}} \times 100 = 20\% \text{ (2021)}$ $20\% - 25\% = -5\% \text{ (decrease of 5\%)}$ <p>Answer = -5% (3)</p> | Rationale | Marks | Correct answer with or without correct working or % | 3 | Correct calculation of both market share figures | 2 | Formula or correct calculation of one market share figure | 1 | No creditable content | 0 | 3 | | | | | |
| Rationale | Marks | | | | | | | | | | | | | | | | |
| Correct answer with or without correct working or % | 3 | | | | | | | | | | | | | | | | |
| Correct calculation of both market share figures | 2 | | | | | | | | | | | | | | | | |
| Formula or correct calculation of one market share figure | 1 | | | | | | | | | | | | | | | | |
| No creditable content | 0 | | | | | | | | | | | | | | | | |

| Question | Answer | Marks | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|-------------------------------------|---------------------------|-------|-------------|---|---|-------------|--|---|-----------|--|---|---|-----------------------|---|--|--------------------------------|-------------------------------------|-----------------------------|-----------------------------------|---------------------|--------------------------|-----------------------------|-------------|---|
| 2(b)(ii) | <p>Explain <u>one</u> implication for PP of a fall in market share.</p> <table border="1" data-bbox="320 315 1310 741"> <thead> <tr> <th data-bbox="320 315 475 376">Level</th> <th data-bbox="475 315 1158 376">Knowledge and Application</th> <th data-bbox="1158 315 1310 376">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 376 475 477">2b (APP)</td> <td data-bbox="475 376 1158 477">Explanation of one implication of a change in market share in context</td> <td data-bbox="1158 376 1310 477">3</td> </tr> <tr> <td data-bbox="320 477 475 577">2a (K+K)</td> <td data-bbox="475 477 1158 577">Explanation of one implication of a change in market share</td> <td data-bbox="1158 477 1310 577">2</td> </tr> <tr> <td data-bbox="320 577 475 678">1a (K)</td> <td data-bbox="475 577 1158 678">Knowledge of one implication of a change in market share</td> <td data-bbox="1158 577 1310 678">1</td> </tr> <tr> <td data-bbox="320 678 475 741">0</td> <td data-bbox="475 678 1158 741">No creditable content</td> <td data-bbox="1158 678 1310 741">0</td> </tr> </tbody> </table> <p>Note: allow OFR from answer to Q2(b)(i)</p> <p>Context:</p> <ul data-bbox="320 882 1023 947" style="list-style-type: none"> • Market is growing but market share is decreasing. • PP is a public limited company. <p>Implications may include:</p> <ul data-bbox="320 1021 1270 1261" style="list-style-type: none"> • Increased competition – which PP may need to respond to • PP may need to market their products more successfully – to remain competitive/relevant • Need to improve promotion, price, distribution, product differentiation • PP's share price may fall – lack of investor confidence • Decrease in demand – if a loss of reputation or image (no context allowed as demand has increased in context) <p>ARA Example of how a response may develop and should be marked:</p> <table border="1" data-bbox="320 1395 1310 1742"> <thead> <tr> <th data-bbox="320 1395 625 1541">Identification of an implication (K – 1 mark)</th> <th data-bbox="625 1395 930 1541">Explanation (K+K – 2 marks)</th> <th data-bbox="930 1395 1310 1541">Possible context (APP – 3 marks)</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 1541 625 1641">Decrease in competitiveness</td> <td data-bbox="625 1541 930 1641">Need to increase marketing budget</td> <td data-bbox="930 1541 1310 1641">To gain back –5% MS</td> </tr> <tr> <td data-bbox="320 1641 625 1742">Reduction in share price</td> <td data-bbox="625 1641 930 1742">Lack of investor confidence</td> <td data-bbox="930 1641 1310 1742">Share price</td> </tr> </tbody> </table> | Level | Knowledge and Application | Marks | 2b (APP) | Explanation of one implication of a change in market share in context | 3 | 2a (K+K) | Explanation of one implication of a change in market share | 2 | 1a (K) | Knowledge of one implication of a change in market share | 1 | 0 | No creditable content | 0 | Identification of an implication (K – 1 mark) | Explanation (K+K – 2 marks) | Possible context (APP – 3 marks) | Decrease in competitiveness | Need to increase marketing budget | To gain back –5% MS | Reduction in share price | Lack of investor confidence | Share price | 3 |
| Level | Knowledge and Application | Marks | | | | | | | | | | | | | | | | | | | | | | | | |
| 2b (APP) | Explanation of one implication of a change in market share in context | 3 | | | | | | | | | | | | | | | | | | | | | | | | |
| 2a (K+K) | Explanation of one implication of a change in market share | 2 | | | | | | | | | | | | | | | | | | | | | | | | |
| 1a (K) | Knowledge of one implication of a change in market share | 1 | | | | | | | | | | | | | | | | | | | | | | | | |
| 0 | No creditable content | 0 | | | | | | | | | | | | | | | | | | | | | | | | |
| Identification of an implication (K – 1 mark) | Explanation (K+K – 2 marks) | Possible context (APP – 3 marks) | | | | | | | | | | | | | | | | | | | | | | | | |
| Decrease in competitiveness | Need to increase marketing budget | To gain back –5% MS | | | | | | | | | | | | | | | | | | | | | | | | |
| Reduction in share price | Lack of investor confidence | Share price | | | | | | | | | | | | | | | | | | | | | | | | |

| Question | Answer | | | | | | Marks |
|----------|--|--|--------------|-----------|--|--------------|-----------|
| 2(c) | Analyse <u>two</u> factors which may affect PP's choice of a source of finance to build the additional factory. | | | | | | 8 |
| | Level | Knowledge and Application (4 marks) | Marks | | Analysis (4 marks) | Marks | |
| | 2b | Shows understanding of two factors affecting source of finance context | 4 | APP + APP | Developed analysis of two factors affecting source of finance in context | 4 | DEV + DEV |
| | 2a | Shows understanding of one factor affecting source of finance in context | 3 | APP | Developed analysis of one factor affecting source of finance in context | 3 | DEV |
| | 1b | Shows knowledge of two factors affecting source of finance | 2 | K + K | Limited analysis of two factors affecting source of finance | 2 | AN + AN |
| | 1a | Shows knowledge of one factor affecting source of finance | 1 | K | Limited analysis of one factor affecting source of finance | 1 | AN |
| | 0 | No creditable content | | | | | |
| | Note: this question is not asking candidates to analyse possible sources of finance. Analysis should only be rewarded for a factor <i>affecting</i> the choice of a source of finance. | | | | | | |
| | ARA | | | | | | |

| Question | Answer | Marks | | | | | | | | | | | | |
|-------------------|--|------------------------------------|--|----|-----|-----------------|--------|-------------------------|--------------------------|-------------------|--------------------|------------------------------------|--|--|
| 2(c) | <p>Indicative content</p> <p>AO1 Knowledge and understanding</p> <p>Factors may include:</p> <ul style="list-style-type: none"> • Cost • Flexibility • Control • Use of finance • Level of existing debt • Timeframe <p>AO2 Application</p> <ul style="list-style-type: none"> • \$1.5m capital • fixed use (for a building) • Emily and Kabir own 50% of shares • factory is to develop product portfolio • short term – can start construction immediately <p>AO3 Analysis</p> <ul style="list-style-type: none"> • likely to need a long-term source of finance – affordability of repayments • Building project may over-run – PP may need some flexibility for contingencies • Share issue may make them lose control of the business – ability to make future decisions • extend sales in a growing market – future sales may cover any finance costs • speed of funds could be important – may restrict options <p>Examples of how an answer could develop and how it should be annotated.</p> <table border="1" data-bbox="320 1256 1310 1715"> <thead> <tr> <th data-bbox="320 1256 549 1341">K</th> <th data-bbox="549 1256 777 1341">APP</th> <th data-bbox="777 1256 1003 1341">AN</th> <th data-bbox="1003 1256 1310 1341">DEV</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 1341 549 1496">Cost of finance</td> <td data-bbox="549 1341 777 1496">\$1.5m</td> <td data-bbox="777 1341 1003 1496">High monthly repayments</td> <td data-bbox="1003 1341 1310 1496">Increases financial risk</td> </tr> <tr> <td data-bbox="320 1496 549 1715">Length of finance</td> <td data-bbox="549 1496 777 1715">Long term/mortgage</td> <td data-bbox="777 1496 1003 1715">May affect gearing ratio adversely</td> <td data-bbox="1003 1496 1310 1715">Which makes sourcing additional finance more difficult</td> </tr> </tbody> </table> | K | APP | AN | DEV | Cost of finance | \$1.5m | High monthly repayments | Increases financial risk | Length of finance | Long term/mortgage | May affect gearing ratio adversely | Which makes sourcing additional finance more difficult | |
| K | APP | AN | DEV | | | | | | | | | | | |
| Cost of finance | \$1.5m | High monthly repayments | Increases financial risk | | | | | | | | | | | |
| Length of finance | Long term/mortgage | May affect gearing ratio adversely | Which makes sourcing additional finance more difficult | | | | | | | | | | | |

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

| Question | Answer | Marks |
|----------|--|-------|
| 2(d) | <p>AO1 Knowledge and understanding Knowledge* of payment methods may include:</p> <ul style="list-style-type: none"> • Payment methods: <ul style="list-style-type: none"> – time based – e.g. hourly rate – salary – paid the same every month – piece rates – paid per outcome – commission – paid per sale made – bonuses – extra payment for hitting targets – profit sharing – dividing profit by getting a percentage – performance related – different levels of pay for different targets <p>*Knowledge must be in the form of definition or understanding as the payment methods are clearly stated in the text</p> <p>AO2 Application</p> <ul style="list-style-type: none"> • Public limited company – answerable to shareholders • Decorated plant pots • Growing market • Creative designers – piece rate • Manufacturing employees – time based • Supervisors – salary • Managers – salary and profit sharing <p>AO3 Analysis Creative designers</p> <ul style="list-style-type: none"> • Payment by results of how many new designs are created – may motivate employees to produce new design – links productivity to output – controls costs. • Piece rate may lead to a focus on quantity not quality – unlikely to lead to creative innovation – more likely to lead to hitting specific targets. <p>Manufacturing employees</p> <ul style="list-style-type: none"> • Time based, so could be an emphasis on ‘going slow’ to maximise pay but at a minimal output – may allow them to gain overtime payments but will increase PP’s costs • Since pots are made using batch production, other systems may not be suitable as the changeover time would not allow a piece rate system and might be unfair. Time based allows for different times to produce different pots and could be a simple payment method for these workers. May also be in line with minimum wage legislation in country K. <p>Supervisors</p> <ul style="list-style-type: none"> • Salary allows for a known payment each week/month/year and this may allow PP to plan and forecast cashflow better. May also allow PP to get a higher output from the supervisors for the same payment. • May not motivate the supervisors as their pay is not linked to hours worked or how many are produced. Might be most appropriate as they are not producing products. | |

| Question | Answer | Marks | | | | | | | | | | | | | | |
|-----------------------------------|---|---|---|---|-----|------|-----------------------------------|---------------------|---|---|---|--------------------------|--------------------------|--------------------------------|-----------------------------------|--|
| 2(d) | <p>Managers</p> <ul style="list-style-type: none"> Managers are making the functional decisions and therefore the ultimate profitability of the firm is likely to be based on their decision making. Therefore, linking their pay to the profits is likely to motivate them and lead to better decision making. However, the market share is declining – does this mean that the managers might not get paid. Might this lead to a high staff turnover for managers leading to poor decision making. Loss of profit for the shareholders (including Emily and Kabir) – also less money for reinvestment, especially the new factory. <p>AO4 Evaluation</p> <ul style="list-style-type: none"> A judgement/evaluation over the suitability of different payment methods Evaluation of the relative benefits/costs of each payment method Elements that the evaluation/judgement might depend upon – type of worker, objectives of the firm, type of workers (theory X and Y), profitability of the firm, productivity of the different employees etc. <p>ARA Examples of how an answer could develop and how it should be annotated.</p> <table border="1" data-bbox="320 965 1310 1722"> <thead> <tr> <th data-bbox="320 965 520 1050">K</th> <th data-bbox="520 965 716 1050">APP</th> <th data-bbox="716 965 914 1050">AN</th> <th data-bbox="914 965 1112 1050">DEV</th> <th data-bbox="1112 965 1310 1050">EVAL</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 1050 520 1312">Piece rate paid per unit produced</td> <td data-bbox="520 1050 716 1312">Plant pots designed</td> <td data-bbox="716 1050 914 1312">Motivates employees to create as many designs as possible</td> <td data-bbox="914 1050 1112 1312">However can lead to a lack of creativity/care</td> <td data-bbox="1112 1050 1310 1722" rowspan="2">PP's use of different payment methods is mainly beneficial because the employees do different tasks which have different motivational requirements Especially as they are in a dynamic market and need to be flexible</td> </tr> <tr> <td data-bbox="320 1312 520 1722">Time based paid per hour</td> <td data-bbox="520 1312 716 1722">For decorated plant pots</td> <td data-bbox="716 1312 914 1722">Manufacture wouldn't be rushed</td> <td data-bbox="914 1312 1112 1722">So quality should improve/be high</td> </tr> </tbody> </table> | K | APP | AN | DEV | EVAL | Piece rate paid per unit produced | Plant pots designed | Motivates employees to create as many designs as possible | However can lead to a lack of creativity/care | PP's use of different payment methods is mainly beneficial because the employees do different tasks which have different motivational requirements Especially as they are in a dynamic market and need to be flexible | Time based paid per hour | For decorated plant pots | Manufacture wouldn't be rushed | So quality should improve/be high | |
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