



Cambridge IGCSE™

BUSINESS STUDIES

0450/23

Paper 2 Case Study

May/June 2023

MARK SCHEME

Maximum Mark: 80

Published

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

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

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

Cambridge International is publishing the mark schemes for the May/June 2023 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

This document consists of **19** 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.

0450/7115/0086 Business Studies – Paper 2 Annotations

Annotation	Description	Use
Tick	Tick	Indicates a point which is relevant and rewardable (used in part (a) questions).
Cross	Cross	Indicates a point which is inaccurate/irrelevant and not rewardable.
BOD	Benefit of doubt	Used when the benefit of the doubt is given in order to reward a response.
TV	Too vague	Used when parts of the answer are considered to be too vague.
REP	Repetition	Indicates where content has been repeated.
NAQ	Not answered question	Used when the answer or parts of the answer are not answering the question asked.
APP	Application	Indicates appropriate reference to the information in the context.
OFR	Own figure rule	If a mistake is made in a calculation, and the incorrect figure that results from the mistake is used for subsequent calculations.
SEEN	Noted but no credit given	Indicates that content has been recognised but not rewarded.
L1	Level 1	Used in part (b) questions to indicate where a response includes limited knowledge and understanding.
L2	Level 2	Used in part (b) questions to indicate where a response has a more detailed discussion and contains some evidence of justification.
L3	Level 3	Used in part (b) questions to indicate where a response includes a well-justified recommendation.

Question	Answer	Marks
1(a)	<p>Explain <u>four</u> reasons why a business might become a multinational company.</p> <p>Award one mark for each relevant reason (max 4).</p> <p>Award a maximum of one additional mark for each explanation of the reason.</p> <ul style="list-style-type: none">• Produce nearer to the market – reduce transport costs of finished products• Avoid barriers to trade – quotas and tariffs will not apply if the business is not moving goods between countries• Increase market share – by expanding into different markets a business can access larger target market• Government incentives in the country where they are setting up – receive grants/subsidies which would potentially reduce the costs of production for a business• Produce in a country with lower labour/production costs• Remain competitive if competitor companies are expanding abroad <p>For example: The cost of production could be reduced if the business needs to import materials (1). By operating in a different country where the raw materials are available, variable costs can be reduced (1).</p>	8

Question	Answer	Marks															
1(b)	<p>Consider the advantages and disadvantages of the following <u>three</u> methods of promotion RR could use in the new markets. Which would be the most suitable method for RR to use? Justify your answer.</p> <ul style="list-style-type: none"> • Television • Billboards • Sponsorship of a sports team <table border="1" data-bbox="339 521 1289 1921"> <thead> <tr> <th data-bbox="339 521 454 586">Level</th> <th data-bbox="454 521 1177 586">Description</th> <th data-bbox="1177 521 1289 586">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="339 586 454 1021">3</td> <td data-bbox="454 586 1177 1021"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of two or more methods.</p> <p>Well-justified recommendation.</p> <p>Candidates discussing the three methods in detail, in context and with a well-justified recommendation, including why the alternative methods were rejected, should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1177 586 1289 1021">9–12</td> </tr> <tr> <td data-bbox="339 1021 454 1453">2</td> <td data-bbox="454 1021 1177 1453"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least one method.</p> <p>Judgement with some justification / some evaluation of choices made.</p> <p>Candidates discussing two or more methods in detail and applying them to the case should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1177 1021 1289 1453">5–8</td> </tr> <tr> <td data-bbox="339 1453 454 1856">1</td> <td data-bbox="454 1453 1177 1856"> <p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss the methods with little/no explanation.</p> <p>Simple judgement with limited justification / limited evaluation of choices made.</p> <p>Candidates outlining the three methods in context should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1177 1453 1289 1856">1–4</td> </tr> <tr> <td data-bbox="339 1856 454 1921">0</td> <td data-bbox="454 1856 1177 1921">No creditable response.</td> <td data-bbox="1177 1856 1289 1921">0</td> </tr> </tbody> </table>	Level	Description	Marks	3	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of two or more methods.</p> <p>Well-justified recommendation.</p> <p>Candidates discussing the three methods in detail, in context and with a well-justified recommendation, including why the alternative methods were rejected, should be rewarded with the top marks in the band.</p>	9–12	2	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least one method.</p> <p>Judgement with some justification / some evaluation of choices made.</p> <p>Candidates discussing two or more methods in detail and applying them to the case should be rewarded with the top marks in the band.</p>	5–8	1	<p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss the methods with little/no explanation.</p> <p>Simple judgement with limited justification / limited evaluation of choices made.</p> <p>Candidates outlining the three methods in context should be rewarded with the top marks in the band.</p>	1–4	0	No creditable response.	0	12
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Question	Answer		Marks
1(b)	Relevant points might include:		
		Advantages	Disadvantages
	Television	<ul style="list-style-type: none"> The advert will be seen by a large audience – 80% of population in the new market watch television A wider range of (rug) patterns can be seen RR can choose the most appropriate time for the advert to be broadcast so that it is seen by the target audience 	<ul style="list-style-type: none"> Can be more expensive than other forms of promotion – so this could make the profit margins fall Many consumers now download films/music and may not watch many television programmes – reducing the access to target markets
	Billboards	<ul style="list-style-type: none"> They are lower cost than the other two options and are there for quite a time – RR could show many rugs on one image If they are in a busy place, then many people might pass them and be attracted to buy RR's machine manufactured rugs 	<ul style="list-style-type: none"> Can be easily missed as people pass by – especially if on a main road as cars will be passing quickly No detailed information can be added, customers may not see the website address as they drive past
	Sponsorship of a sports team	<ul style="list-style-type: none"> It can raise awareness by linking the brand to a famous sporting person Helps to target the intended market - by targeting events in the new markets 	<ul style="list-style-type: none"> Actions of the sponsored person could damage RR's reputation for excellent customer service – reducing sales Takes time to find a suitable team to sponsor the rugs

Question	Answer	Marks
1(b)	<p data-bbox="339 573 571 607">Recommendation</p> <p data-bbox="587 253 916 286">Justification may include:</p> <ul data-bbox="587 286 1310 925" style="list-style-type: none"> <li data-bbox="587 286 1310 589">• Television is best because it can have a large reach. RR can also use colour and show many images of their rugs. It is expensive, but RR made \$8m profit in 2022 so it can afford the expense. A billboard might not be seen by many people as only 45% drive cars and so not many people would see them on the roads or pass by them. It might be very difficult to find a suitable team to sponsor rugs. <li data-bbox="587 589 1310 824">• Billboards would be best because they are large and can be placed alongside busy roads in the new markets to allow many people to see them. Billboards can show a picture of the rugs and the website address so there does not need to be lots of writing in different languages. One billboard design could be used in all the new markets. <li data-bbox="587 824 1310 925">• Sponsorship of a sports team would be best as it can reinforce the brand image of high-quality rugs by having a suitable team to promote the product. 	

Question	Answer	Marks
2(a)	<p>Explain <u>two</u> problems RR might experience as it expands</p> <p>Award one mark for each relevant problem (max 2).</p> <p>Award a maximum of three additional marks for each explanation – one of which must be applied to this context.</p> <ul style="list-style-type: none"> • Difficult to control – which may result in more mistakes being made during production – increasing waste • Poor motivation / lack of commitment – as employees feel alienated this could reduce productivity • Weak coordination – it may be more difficult for decisions to be made between departments to ensure each runs smoothly • Poor communication – instructions do not get to the right person / get distorted – so orders may not be completed on time • Liquidity may reduce – cost of expansion might lead to short-term cash flow difficulties – RR will need to buy more raw materials to increase production • Shortage of finance for investment – RR may have to invest in new machines to increase production capacity <p>For example: One problem may be reduced liquidity (1). RR will need to buy more raw materials such as wool to meet increased demand (app). This will increase cash outflows (1) so net cash flow will reduce until the products are sold, and revenue is received. (1)</p> <p>Application could include: private limited company; rugs ; wool; new markets in other countries; new technology; machine made rugs; 30 employees; standard patterns; ecommerce; developing new website; operating for 5 years; excellent customer service.</p>	8

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2(b)	<p>Consider <u>three</u> methods RR could use to communicate the expansion plans to its employees. Which method should RR choose? Justify your answer.</p> <table border="1" data-bbox="339 383 1289 1783"> <thead> <tr> <th data-bbox="339 383 454 448">Level</th> <th data-bbox="454 383 1174 448">Description</th> <th data-bbox="1174 383 1289 448">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="339 448 454 882">3</td> <td data-bbox="454 448 1174 882"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of two or more methods.</p> <p>Well-justified recommendation.</p> <p>Candidates discussing the three methods in detail, in context and with a well-justified recommendation, including why the alternative methods were rejected, should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1174 448 1289 882">9–12</td> </tr> <tr> <td data-bbox="339 882 454 1317">2</td> <td data-bbox="454 882 1174 1317"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least one method.</p> <p>Judgement with some justification / some evaluation of choices made.</p> <p>Candidates discussing two or more methods in detail and applying them to the case should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1174 882 1289 1317">5–8</td> </tr> <tr> <td data-bbox="339 1317 454 1718">1</td> <td data-bbox="454 1317 1174 1718"> <p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss the methods with little/no explanation.</p> <p>Simple judgement with limited justification / limited evaluation of choices made.</p> <p>Candidates outlining the three methods in context should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1174 1317 1289 1718">1–4</td> </tr> <tr> <td data-bbox="339 1718 454 1783">0</td> <td data-bbox="454 1718 1174 1783">No creditable response.</td> <td data-bbox="1174 1718 1289 1783">0</td> </tr> </tbody> </table>	Level	Description	Marks	3	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of two or more methods.</p> <p>Well-justified recommendation.</p> <p>Candidates discussing the three methods in detail, in context and with a well-justified recommendation, including why the alternative methods were rejected, should be rewarded with the top marks in the band.</p>	9–12	2	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least one method.</p> <p>Judgement with some justification / some evaluation of choices made.</p> <p>Candidates discussing two or more methods in detail and applying them to the case should be rewarded with the top marks in the band.</p>	5–8	1	<p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss the methods with little/no explanation.</p> <p>Simple judgement with limited justification / limited evaluation of choices made.</p> <p>Candidates outlining the three methods in context should be rewarded with the top marks in the band.</p>	1–4	0	No creditable response.	0	12
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Question	Answer		Marks	
2(b)	Relevant points might include:			
		<p style="text-align: center;">Advantages</p> <ul style="list-style-type: none"> • One-to-one communication • Allows feedback to ensure each of the 30 employees understand the message • Message can be passed on quickly • Sender knows the message has been received 	<p style="text-align: center;">Disadvantages</p> <ul style="list-style-type: none"> • Can be expensive to phone each employee • Mobile may be switched off / not heard over the noise of the machines • May take time to reach the employees / takes more than one attempt to call them 	
	Letter	<ul style="list-style-type: none"> • Provides a permanent record which can be referred back to 	<ul style="list-style-type: none"> • Can be slow to reach production employees – delay could have further negative impacts 	
	Notices / noticeboard	<ul style="list-style-type: none"> • Seen by many employees in the factory • Comparatively cheap to produce the notices 	<ul style="list-style-type: none"> • RR won't know if all the employees have read the notice • No personal contact – no opportunity for employees to ask questions / one way communication 	
	Email	<ul style="list-style-type: none"> • Cheap/fast way to communicate with all employees • Can be sent to all employees at the same time 	<ul style="list-style-type: none"> • Do not know if the message has been read – unless attach a read receipt • There may be poor internet connection / fail to send message to production employees 	
	Text (SMS) message	<ul style="list-style-type: none"> • Fast to send • Send to many people at one time 	<ul style="list-style-type: none"> • Message will fail to send if no network coverage • Employee may not have a mobile phone – will not receive the message 	

Question	Answer		Marks
2(b)	Face-to-face meeting	<ul style="list-style-type: none"> Two-way communication – allows for instant feedback Employees can ask questions about the expansion plans to sell rugs in other countries 	<ul style="list-style-type: none"> If an employee is absent, then they may not get the message Can be difficult to arrange for all the employees to meet at same time/place
	Social media e.g. Facebook group, WhatsApp group	<ul style="list-style-type: none"> Cheap/fast to send message Can send to everyone in the group at the same time 	<ul style="list-style-type: none"> Do not know if all production employees have read the message Not all employees will be on the app and so may not receive the message
	Recommendation	<p>Justification may include:</p> <ul style="list-style-type: none"> Face-to-face meeting is best because this allows the 45 employees to ask questions unlike sending a message on email which is a one-way method of communication. It allows them to have personal contact with the Managing Director, which helps to improve the relationship between them and the management of RR. Other methods such as a notice board are very impersonal and may make them feel like the management of RR don't really care. Email may be a good method of communicating the expansion plans as RR's HR manager can include a diagram of the new structure. The employees would have more detail about expansion into new markets in other countries. A text message sent to the employees would ensure they are told of the future direction of the rug manufacturing business quickly in a short message which would be easy to read. 	

Question	Answer	Marks
3(a)	<p>Explain <u>one</u> responsibility of each of the following in RR:</p> <p>Award one mark for each relevant responsibility (max 4).</p> <p>Award one additional mark for each explanation applied in this context.</p> <p>Directors : Deciding the direction/strategy of the business – expanding into new markets in other countries</p> <p>Managers: Planning the resources needed for production – ensuring there is sufficient wool to manufacture the products</p> <p>Supervisors: Ensuring that the employees do their job correctly – this would ensure that they maintain their reputation for excellent customer service</p> <p>Production employees: To carry out their tasks effectively – to help ensure they produce rugs with the correct standard patterns</p> <p>For example: Managers will be responsible for planning the resources needed in production (1) to ensure there is sufficient wool to manufacture the rugs (app).</p> <p>Application could include: private limited business; rugs; wool; new markets in other countries / expansion into new markets; new technology required; 30 employees; standard patterns; ecommerce; developing new website; operating for 5 years; excellent customer service.</p>	8

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3(b)	<p>Consider the advantages and disadvantages of the following <u>two</u> methods RR could use to increase the productivity of its employees. Which method should RR choose? Justify your answer.</p> <ul style="list-style-type: none"> • Introducing new technology • Increasing training <table border="1" data-bbox="339 488 1289 1888"> <thead> <tr> <th data-bbox="339 488 453 553">Level</th> <th data-bbox="453 488 1174 553">Description</th> <th data-bbox="1174 488 1289 553">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="339 553 453 987">3</td> <td data-bbox="453 553 1174 987"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of both methods.</p> <p>Well-justified recommendation.</p> <p>Candidates discussing both methods in detail, in context and with a well-justified recommendation, including why the alternative method was rejected, should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1174 553 1289 987">9–12</td> </tr> <tr> <td data-bbox="339 987 453 1422">2</td> <td data-bbox="453 987 1174 1422"> <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least one method.</p> <p>Judgement with some justification / some evaluation of choices made.</p> <p>Candidates discussing at least one method in detail and applying it to the case should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1174 987 1289 1422">5–8</td> </tr> <tr> <td data-bbox="339 1422 453 1825">1</td> <td data-bbox="453 1422 1174 1825"> <p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss the methods with little/no explanation.</p> <p>Simple judgement with limited justification / limited evaluation of choices made.</p> <p>Candidates outlining both methods in context should be rewarded with the top marks in the band.</p> </td> <td data-bbox="1174 1422 1289 1825">1–4</td> </tr> <tr> <td data-bbox="339 1825 453 1888">0</td> <td data-bbox="453 1825 1174 1888">No creditable response.</td> <td data-bbox="1174 1825 1289 1888">0</td> </tr> </tbody> </table>	Level	Description	Marks	3	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of both methods.</p> <p>Well-justified recommendation.</p> <p>Candidates discussing both methods in detail, in context and with a well-justified recommendation, including why the alternative method was rejected, should be rewarded with the top marks in the band.</p>	9–12	2	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of at least one method.</p> <p>Judgement with some justification / some evaluation of choices made.</p> <p>Candidates discussing at least one method in detail and applying it to the case should be rewarded with the top marks in the band.</p>	5–8	1	<p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss the methods with little/no explanation.</p> <p>Simple judgement with limited justification / limited evaluation of choices made.</p> <p>Candidates outlining both methods in context should be rewarded with the top marks in the band.</p>	1–4	0	No creditable response.	0	12
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Question	Answer			Marks
3(b)	Relevant points might include:			
		Advantages	Disadvantages	
	Introducing new technology	<ul style="list-style-type: none"> • Fewer employees may be needed – lowering the wage cost • Rugs can be produced more quickly/accurately – this will enable RR to increase output • Changes in rug patterns can be implemented more quickly – the business can respond to changes in consumer preferences more quickly – remaining competitive 	<ul style="list-style-type: none"> • May lead to redundancies – increased short-term costs due to redundancy payments • Technology needs to be maintained/updated or may need to be replaced if RR want to keep producing new patterns - this could increase costs • High initial cost for the investment • Employees who have been trained to use the new technology may ask for a pay rise – increasing labour costs 	
	Increase training	<ul style="list-style-type: none"> • Improved motivation – employees feel more valued as the business is investing in them – will adapt to change more quickly • Increase skills of the 30 production employees so mistakes are reduced – reducing the cost of raw materials as there is less wastage • Employees will become more flexible – as RR expands into the new markets in other countries and produces a wider range of patterns 	<ul style="list-style-type: none"> • Employees may leave once trained and work for a competitor company – the business does not gain a benefit / return on their investment in training • There may be a short-term reduction in output whilst the employees are being trained - RR may find it difficult to meet any increase in demand 	

Question	Answer		Marks
3(b)	Recommendation	<p>Justification may include:</p> <ul style="list-style-type: none"> • Introducing new technology is the best way to increase the productivity of employees as it increases the level of output in the same amount of time. This means that RR can meet an increase in sales more quickly and can produce the most popular standard designs in larger quantities. Training existing employees would not increase productivity as much as they are likely to be less accurate than the new technology so RR may lose their reputation for excellent customer service. • Increased training is the best way to increase the productivity of employees because they would learn more skills and become more flexible. This would enable RR to produce a wider range of patterns of rugs to meet the varied demand in the new markets in other countries which may be different to the demand in the existing markets. 	

Question	Answer	Marks				
4(a)	<p>Explain <u>one</u> opportunity and <u>one</u> threat to RR of using ecommerce.</p> <p>Award one mark for a relevant opportunity/threat (max 2).</p> <p>Award a maximum of three additional marks for each explanation – one of which must be applied to this context.</p> <table border="1" data-bbox="341 488 1289 1400"> <thead> <tr> <th data-bbox="341 488 759 553">Opportunities</th> <th data-bbox="759 488 1289 553">Threats</th> </tr> </thead> <tbody> <tr> <td data-bbox="341 553 759 1400"> <ul style="list-style-type: none"> • Increase in demand for the product – due to an increase in convenience for the customers • If the website is attractive and easy to use customers may purchase more products than they originally intended • Prices can be changed easily – reflecting the level of demand – leading to higher revenue • Website can be used to promote products worldwide – may be cheaper than other forms of marketing </td> <td data-bbox="759 553 1289 1400"> <ul style="list-style-type: none"> • Sales volume may fall – as customers can more easily compare competitor products/prices so may switch to an alternative producer • It can be expensive to hire a website designer – good website design is needed to ensure it attracts consumers and is easy to navigate • Transport costs may be high – individual orders will be shipped to separate addresses and not to a central shop/location for distribution • No face-to-face contact with customers – this is potentially a lost opportunity for market research • Inventory costs could be higher as more stocks may need to be kept in a warehouse to ensure customer orders can be met in the new markets </td> </tr> </tbody> </table> <p>For example: Customers can more easily compare competitor prices (1) so may switch to an alternative manufacturer of rugs (app) leading to sales volumes falling (1) which may result in a lower market share (1).</p> <p>Application could include: private limited business; rugs; wool; new markets in other countries / expansion into new markets; new technology required; 30 employees; standard patterns; ecommerce; developing new website; operating for 5 years; excellent customer service.</p>	Opportunities	Threats	<ul style="list-style-type: none"> • Increase in demand for the product – due to an increase in convenience for the customers • If the website is attractive and easy to use customers may purchase more products than they originally intended • Prices can be changed easily – reflecting the level of demand – leading to higher revenue • Website can be used to promote products worldwide – may be cheaper than other forms of marketing 	<ul style="list-style-type: none"> • Sales volume may fall – as customers can more easily compare competitor products/prices so may switch to an alternative producer • It can be expensive to hire a website designer – good website design is needed to ensure it attracts consumers and is easy to navigate • Transport costs may be high – individual orders will be shipped to separate addresses and not to a central shop/location for distribution • No face-to-face contact with customers – this is potentially a lost opportunity for market research • Inventory costs could be higher as more stocks may need to be kept in a warehouse to ensure customer orders can be met in the new markets 	8
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4(b)	<p>Using Appendix 3 and other information, consider whether RR's Managing Director should be concerned about the financial performance of the business. Justify your answer using suitable calculations.</p>		
	Level	Description	Marks
	3	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of why the MD should/should not be concerned about the financial performance.</p> <p>Well-justified recommendation.</p> <p>Candidates discussing why the MD should/should not be concerned about the financial performance, supported by appropriate calculations, in context and with a well-justified recommendation should be rewarded with the top marks in the band.</p>	9–12
	2	<p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of one reason / one appropriate calculation to support why the MD should/should not be concerned about the financial performance.</p> <p>Judgement with some justification / some evaluation of choices made.</p> <p>Candidates discussing two or more reasons / two appropriate calculations, in detail and applying them to the case should be rewarded with the top marks in the band.</p>	5–8
	1	<p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss financial performance with little/no explanation.</p> <p>Simple judgement with limited justification / limited evaluation of choices made.</p> <p>Candidates outlining three financial performance indicators in context should be rewarded with the top marks in the band.</p>	1–4
	0	No creditable response.	0

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4(b)	<p>Level 1 responses</p> <ul style="list-style-type: none"> Revenue has increased by \$7m from \$25m to \$32m Cost of sales has increased by \$6m Expenses decreased by \$2m More wool and other raw materials were needed to increase output to meet increased demand <p>Level 2 responses/calculations</p> <table border="1" data-bbox="341 557 1289 882"> <thead> <tr> <th></th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Gross Profit</td> <td>\$15m</td> <td>\$16m</td> </tr> <tr> <td>GPM</td> <td>60%</td> <td>50%</td> </tr> <tr> <td>Profit</td> <td>\$5m</td> <td>\$8m</td> </tr> <tr> <td>Profit margin</td> <td>20%</td> <td>25%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> GPM has decreased – suggests that the cost of goods have increased by a larger proportion than the increase in revenue from selling rugs – the business is making a lower gross profit per \$1 of revenue Profit margin has increased – the business is making more profit per \$1 of revenue The GPM has decreased whilst the profit margin has increased - this would mean that the cost of sales has increased but that expenses are more controlled <table border="1" data-bbox="325 1227 1305 1697"> <tr> <td data-bbox="325 1227 526 1697">Conclusion</td> <td data-bbox="526 1227 1305 1697"> Justification may include: <ul style="list-style-type: none"> The Managing Director should not be concerned as both the profit and the profit margin from manufacturing rugs have increased. This could mean that the expenses have been better controlled. The extra profit could provide more funds for reinvestment or higher dividends paid to shareholders. Although the GPM has fallen the gross profit has increased by \$1m, and revenue has increased by \$7m. The Managing Director should be concerned as the GPM has fallen, which might indicate that the cost of wool is not being controlled. </td> </tr> </table>		2021	2022	Gross Profit	\$15m	\$16m	GPM	60%	50%	Profit	\$5m	\$8m	Profit margin	20%	25%	Conclusion	Justification may include: <ul style="list-style-type: none"> The Managing Director should not be concerned as both the profit and the profit margin from manufacturing rugs have increased. This could mean that the expenses have been better controlled. The extra profit could provide more funds for reinvestment or higher dividends paid to shareholders. Although the GPM has fallen the gross profit has increased by \$1m, and revenue has increased by \$7m. The Managing Director should be concerned as the GPM has fallen, which might indicate that the cost of wool is not being controlled. 	
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