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The markbands on page 3 should be used where indicated in the markscheme.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptor.
1–2	• Little understanding of the demands of the question. • Little use of business management tools and theories; any tools and theories that are used are irrelevant or used inaccurately. • Little or no reference to the stimulus material. • No arguments are made.
3–4	• Some understanding of the demands of the question. • Some use of business management tools and theories, but these are mostly lacking in accuracy and relevance. • Superficial use of information from the stimulus material, often not going beyond the name of the person(s) or name of the organization. • Any arguments made are mostly unsubstantiated.
5–6	• The response indicates an understanding of the demands of the question, but these demands are only partially addressed. • Some relevant and accurate use of business management tools and theories. • Some relevant use of information from the stimulus material that goes beyond the name of the person(s) or name of the organization but does not effectively support the argument. • Arguments are substantiated but are mostly one-sided.
7–8	• Mostly addresses the demands of the question. • Mostly relevant and accurate use of business management tools and theories. • Information from the stimulus material is generally used to support the argument, although there is some lack of clarity or relevance in some places. • Arguments are substantiated and have some balance.
9–10	• Clear focus on addressing the demands of the question. • Relevant and accurate use of business management tools and theories. • Relevant information from the stimulus material is integrated effectively to support the argument. • Arguments are substantiated and balanced, with an explanation of the limitations of the case study or stimulus material.

Section A

1. Define the term *secondary sector*. **[2]**

A secondary sector business takes raw materials from the primary sector or manufactured components from other secondary sector businesses ***[1]*** and converts/turns/processes them into finished goods. ***[1]***

N.B. *no application required. Do not credit examples.*

*Students are **not** expected to word their definition **exactly** as above.*

*Award **[1]** for a basic definition that conveys partial knowledge and understanding.*

*Award **[2]** for a full definition that conveys knowledge and understanding similar to the answer above.*

2. State **two** circular business models. **[2]**

Circular business models include:

- circular supply models
- resource recovery models
- product life extension models
- sharing models
- product service system models.

*Award **[1]** for each model stated. Award **[0]** for an unnamed description.*

3. Describe **two** elements of the marketing mix of *ABC*'s Concrete division. **[4]**

Price [1]
ABC uses a cost-plus (mark-up) pricing method for the concrete it sells. Cost-plus pricing sets a price by adding a mark up to the cost of the concrete produced/supplied. ***[1]***

Promotion [1]
ABC uses two methods of promotion:

- Advertisements in industry magazines (ATL)
- Salespeople who take customers out to lunch to generate orders (BTL) ***[1]***

People [1]

- Salespeople who take customers out to lunch to generate orders ***[1]***

Product [1]
ABC manufactures cement to make concrete and is developing a new product (Eco-concrete which uses plastic instead of stone aggregate). ***[1]***

Place [1]

Place refers to channels of distribution, not location. For example: B2B or B2C uses the 4 P's. There is no context to support the marketing mix element of place such as distributors, e-sales or e-commerce.

*Mark as **[2+2]**.*

*Award **[1]** for each element of the marketing mix and an additional **[1]** for application from the stimulus.*

*Award a maximum of **[1]** for place, process or physical evidence. There is no application in the case study.*

4. Explain **one** advantage **and one** disadvantage for *ABC* of using non-financial rewards (line 31). **[6]**

Advantages for *ABC* could include:

- Employees will feel more motivated. ***[1]*** Non-financial rewards such as job rotation and job enlargement help employees feel more engaged and valued, which can improve morale and retention. ***[1]*** At ABC, this helped reduce the number of employees leaving the Concrete division in 2026. ***[1]***
- Labour turnover will fall. ***[1]*** When employees are given growth opportunities and feel part of the company's mission, they are more likely to stay. ***[1]*** ABC supports this with both non-financial rewards (job rotation/enlargement) which contributed to lower staff turnover in 2026. ***[1]*** 70% of the employees wanted more variety in their work and more opportunities to perform complex tasks. ***[1]***
- Long-term loyalty ***[1]*** When employees are given growth opportunities and feel part of the company's mission, they are more likely to stay. ***[1]*** ABC supports this with both non-financial rewards (job rotation/enlargement) and financial ones (share ownership), which contributed to lower staff turnover in 2026. ***[1]***
- Reduces overdependence on key staff ***[1]*** When employees rotate roles or expand their responsibilities, more people can cover different tasks, reducing dependence on specific workers. ***[1]*** At ABC, machine breakdowns stop the entire process, so having more multi-skilled technicians helps reduce delays and maintain production. ***[1]***
- Non-financial rewards can be relatively inexpensive ***[1]*** There is no context to support this. ***[0]***

Disadvantage for *ABC* could include:

- Reduced productivity ***[1]*** Non-financial rewards like changing roles require additional training, which can slow down production. ***[1]*** At ABC, departmental managers struggled to meet production targets after introducing job rotation and enlargement ***[1]***
- Training takes time ***[1]*** Non-financial rewards like job rotation require extra training, which takes time and money. ***[1]*** At ABC, managers found it harder to meet production targets because employees needed to be trained in new tasks after job rotation was introduced ***[1]***
- Disruption to workflow. ***[1]*** Changing employees' roles or tasks too often can interrupt workflow and reduce efficiency. ***[1]*** ABC's Concrete division already faces pressure to reduce costs and improve performance, so too much role switching could slow operations***.*** ***[1]***
- Not all employees value non-financial rewards ***[1]*** Some employees prefer monetary incentives and may not see value in task variety or job enrichment. ***[1]*** There is no evidence to support this.

Accept any other relevant advantage/disadvantage.

*Mark as **[3 +3].***

*Award **[1]** for identifying the advantage and an additional **[1]** for explaining the advantage and **[1]** for application of the advantage to ABC up to a maximum of **[3]**.*

*Award **[1]** for identifying the disadvantage and an additional **[1]** for explaining the disadvantage and **[1]** for application of the disadvantage to ABC up to a maximum of **[3]**.*

*Up to a maximum of **[6]**.*

5. Explain **two** actions that *ABC* could take to improve the liquidity of its Concrete division. **[6]**

Two actions *ABC* could take, with application, include:

- Reduce trade credit ***[1]*** This would mean receiving payments sooner, improving cash inflow and helping short-term liquidity. ***[1]*** ABC currently offers 45 days of credit to customers with monthly orders above $75,000. Shortening this to 30 days would align with industry norms and speed up cash collection. ***[1]***
- Use recycled plastic instead of limestone ***[1]*** Recycled plastic is cheaper than limestone, reducing production costs and improving cash availability. ***[1]*** ABC's tests show that using plastic could cut costs by 5%, and none of its competitors are doing this yet, giving a cost advantage while freeing up cash. ***[1]***
- Sell/reduce excess inventory ***[1]*** Selling unused or excess stock converts inventory into cash, directly improving liquidity. ***[1]*** ABC holds 180 days of raw material stock, which is relatively high; reducing this would release working capital. ***[1]***
- Lease rather than buy the new plastic-shredding machinery ***[1]*** Leasing reduces the need for a large upfront cash outflow, preserving liquidity in the short term. ***[1]*** BC is considering investing in expensive machinery for Eco-concrete; leasing could lower immediate financial pressure on the Concrete division. ***[1]***
- Debt factoring ***[1]***. Selling existing invoices to a third party allows for access to cash sooner ***[1]***. ABC currently offers 45 days of credit to customers with monthly orders above $75,000. ***[1]***

Actions *ABC* could take without any application include:

- Reduce overhead costs. ***[1]*** Cutting ongoing expenses like rent, utilities, or admin salaries helps save money and improve profitability. ***[1]***
- Sell non-essential assets*.* ***[1]*** Selling equipment, buildings, or land that isn't needed turns those assets into cash, improving liquidity. ***[1]***
- Issue and sell additional shares. ***[1]*** Selling more shares to investors raises capital (money) that can be used to support business operations or pay debts—no repayment needed, unlike a loan. ***[1]***
- Take out a long-term loan secured by fixed assets. ***[1]*** Borrowing money using property or machinery as collateral provides funds now and spreads repayment over time. ***[1]***
- Negotiate better payment terms. ***[1]*** Asking suppliers for more time to pay helps manage cash flow and reduces short-term financial pressure. ***[1]***
- Bulk buying/production economies of scale ***[1]*** lower average costs/costs per unit ***[1]***
- Government grants ***[1]*** raises capital (money) that can be used to support business operations or pay debts—no repayment needed, unlike a loan. ***[1]***

Accept any other relevant answer.

*Mark as **[3 +3]**.*

*Award **[1]** for identifying an action and an additional **[1]** for explaining the action and **[1]** for application of the action to ABC up to a maximum of **[3]**.*

*Up to a maximum of **[6]**.*

Section B

6. Recommend to *ABC*'s board of directors whether they should choose **Option 1** (establish a jewellery-making business) or **Option 2** (enter into a five-year strategic alliance with *XYZ*). **[10]**

Option 1: Establish *ABC*'s own jewellery-making business

Positives

- *ABC* will also have full control of the business, which makes decision-making simple.
- *ABC* retains all the profits that the new jewellery business makes.
- *ABC* can charge premium prices for its own jewellery range, as it can highlight its role in recycling and protecting the environment.
- *ABC* can establish a USP: "Made from e-waste gold".
- Currently, *ABC*'s factory recovers hundreds of kilograms of gold annually and sells the gold to jewellery makers. The price that *ABC* gets for its gold depends on the market, so it fluctuates (shown in **Figure 1**), as do *ABC*'s revenues and profits. If *ABC* sets up its own jewellery-making business, it will be shielded from this.
- Gold prices are increasing, so the jewellery-making business could be profitable.

Negatives

- *ABC* has no experience of dealing with customers, as its customers are other manufacturers and no experience of marketing strategies (and developing marketing campaigns targeted at customers) for a customer product. It may need additional employees in the Marketing department with relevant experience, which increases marketing costs. Training costs may increase if existing employees need to learn new manufacturing skills. (No application)
- *ABC* will need to spend significantly to launch this business to create consumer awareness, which would require significant start-up marketing costs.
- *ABC* will need to set up a distribution network for its jewellery – either allowing consumers to buy online or negotiate with jewellery chains to stock its exclusive range. If *ABC* chooses to sell online then it will need to increase expenditure to design and run an online portal. If *ABC* chooses to sell through jewellery chains then the profit margin it receives will be significantly reduced. (No application)
- *ABC* will need to set up the design and manufacturing of jewellery, which will be a significant cost. (No application)
- *ABC* may find that its output of gold exceeds the amount needed to make its own jewellery and will need to continue to sell this excess to other buyers. *ABC* will not want to sell the gold to other jewellery manufacturers (as suggested by the marketing manager), as it potentially reduces its jewellery range USP.
- Market prices for a kilogram of gold vary, as shown in **Figure 1**.

Option 2: Enter into a five-year strategic alliance with XYZ, a large jewellery manufacturer

Positives

- Potential worldwide sales, as *XYZ* already has a global customer base. This eliminates the need for *ABC* to expand its Marketing department and avoids potential mistakes that could be made through its lack of experience in selling products to the public.
- *ABC*'s products will now be promoted by a famous actor (who wears and promotes expensive jewellery), which will enhance *ABC*'s jewellery image and potentially increase sales.
- It does not need to set up design, manufacturing (production) and marketing, as *XYZ* will provide these facilities.
- *XYZ* would have expertise in jewellery making and marketing that *ABC* does not have.

Negatives
- *ABC* would lose 50% of the revenue earned from jewellery sales.
- *ABC* would lose complete control of the direction its jewellery range takes.
- *XYZ*'s image could change in the near future. If tests in the future show that water supplies have been contaminated (as its gold mines in Country S have been leaking waste water contaminated by toxic metals) and that *XYZ* knew about this and took no action, *ABC*'s image as a business that reduces waste could be seriously damaged, affecting sales of its jewellery range.

Accept any other relevant answer.

Marks should be allocated according to the markbands on page 3.

7. Discuss whether *ABC* should launch Eco-concrete. **[10]**

Positives
- Launching Eco-concrete would help solve *ABC*'s Gold division storage problem, as currently *ABC* has to store thousands of tonnes of plastic from electronic circuit boards. In June 2025, *ABC*, with limited storge space, started sending the plastic overseas to landfill sites.
- Recycled plastic is cheaper than stone and would reduce the costs of concrete by 5%. This reduction will increase *ABC*'s profit margin.
- None of *ABC*'s competitors are considering using recycled plastic. *ABC* could potentially have a USP with this new product, which might provide a competitive advantage and increase sales, especially as many businesses that use concrete may want to improve their own environmental credentials.
- It could improve liquidity. (No application)

Negatives
- *ABC* would need to pay for independent laboratory tests, as posts on social media suggest that *ABC*'s own tests have problems. Further testing would increase costs and delay the product launch by at least a year (12 months). These tests would be needed, as *ABC* would need to convince potential customers that Eco-concrete is just as good (and safe) as traditional concrete. Otherwise, sales may be less than forecasted. If independent tests do not back up *ABC*'s own tests, the product could not be launched. *ABC*'s reputation would be damaged.
- A large construction company has questioned the long-term strength of this new product.
- *ABC* would need to purchase a new expensive plastic-shredding machine. This purchase could impact *ABC*'s profitability.
- *ABC* would need to market this new product – there would be significant marketing costs to convince customers the product is safe and just as good as traditional concrete.

Accept any other relevant answer.

Marks should be allocated according to the markbands on page 3.