
BUSINESS

9609/22

Paper 2 Data Response

May/June 2017

MARK SCHEME

Maximum Mark: 60

Published

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This document consists of **20** printed pages.

Question	Answer	Marks																										
1(a)(i)	<p>Define the term ‘long term sources of finance’ (lines 18–19).</p> <table><tr><th>Knowledge and Application</th><th>Mark</th></tr><tr><td>A correct definition</td><td>2</td></tr><tr><td>A partial, vague or unfocused definition</td><td>1</td></tr><tr><td>No creditable content</td><td>0</td></tr></table> <p>A correct definition should cover the following:</p> <ul style="list-style-type: none">• Understanding of ‘source(s) of finance’ – any reference to where money/capital/cash etc. comes from i.e. reference to a source of finance, such as a mortgage or equity (i.e. shares, debentures)• Understanding of ‘long term’ – this can be reference to any time period more than a year <table><tr><th>Exemplar</th><th>Mark</th><th>Rationale</th></tr><tr><td>When a business gets money from a bank for more than a year</td><td>2</td><td>Both elements covered</td></tr><tr><td>Finance for more than a year, e.g. Mortgage</td><td>2</td><td>Both elements covered</td></tr><tr><td>Money that the business gets from a bank that does not need to be paid back quickly</td><td>1</td><td>Understanding of source of finance but too vague about long term</td></tr><tr><td>A way to get new cash into the business that does not have to be paid back for a long time</td><td>1</td><td>An understanding of source of finance but ‘long time’ is too vague and partly tautological.</td></tr><tr><td>A long term source of finance is a source of finance that does not have to be paid back for a long time.</td><td>0</td><td>Tautological, showing no understanding.</td></tr></table>	Knowledge and Application	Mark	A correct definition	2	A partial, vague or unfocused definition	1	No creditable content	0	Exemplar	Mark	Rationale	When a business gets money from a bank for more than a year	2	Both elements covered	Finance for more than a year, e.g. Mortgage	2	Both elements covered	Money that the business gets from a bank that does not need to be paid back quickly	1	Understanding of source of finance but too vague about long term	A way to get new cash into the business that does not have to be paid back for a long time	1	An understanding of source of finance but ‘long time’ is too vague and partly tautological.	A long term source of finance is a source of finance that does not have to be paid back for a long time.	0	Tautological, showing no understanding.	2
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1(a)(ii)	<p>Briefly explain the term ‘diversity and equality’ (line 14).</p> <p>Award one mark for each point of explanation:</p> <table border="1"> <tr> <td>C</td><td>Example or some other way of showing good understanding, i.e. A development of an example used in B, link to motivation, link to culture, legal requirements etc.</td><td>1 mark</td></tr> <tr> <td>B</td><td>Understanding of diversity – different groups of employees, or an example of different groups</td><td>1 mark</td></tr> <tr> <td>A</td><td>Understanding of equality – no discrimination in the workplace – do not just reward ‘are equal’ there must be some understanding of treating people equally</td><td>1 mark</td></tr> </table> <p>No discrimination in the workplace, for example, against different groups of employees. Can be used to develop a reputation as a good employer. Helps attracts and keep employees.</p> <table border="1"> <thead> <tr> <th>Exemplar</th><th>Mark</th><th>Rationale</th></tr> </thead> <tbody> <tr> <td>Getting rid of discrimination between different groups of worker, and treating them equally which is a legal requirement</td><td>3</td><td>All three elements</td></tr> <tr> <td>Treating all workers the same way no matter what differences they might have, such as men and women should be paid equally if they do the same job</td><td>3</td><td>All three elements</td></tr> <tr> <td>Giving employees equal rights for different people, such as different races</td><td>2</td><td>A and B mark</td></tr> <tr> <td>Equal rights for different races</td><td>1</td><td>B mark only</td></tr> <tr> <td>Everybody has the same treatment</td><td>1</td><td>A mark only</td></tr> </tbody> </table>	C	Example or some other way of showing good understanding, i.e. A development of an example used in B, link to motivation, link to culture, legal requirements etc.	1 mark	B	Understanding of diversity – different groups of employees, or an example of different groups	1 mark	A	Understanding of equality – no discrimination in the workplace – do not just reward ‘are equal’ there must be some understanding of treating people equally	1 mark	Exemplar	Mark	Rationale	Getting rid of discrimination between different groups of worker, and treating them equally which is a legal requirement	3	All three elements	Treating all workers the same way no matter what differences they might have, such as men and women should be paid equally if they do the same job	3	All three elements	Giving employees equal rights for different people, such as different races	2	A and B mark	Equal rights for different races	1	B mark only	Everybody has the same treatment	1	A mark only	3
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1(b)(ii)	<p>Explain <u>two</u> appropriate methods (other than market share) that could be used to measure the size of PP.</p> <table><tr><th>Level</th><th>Knowledge and Application</th><th>Mark</th></tr><tr><td>2b (APP+APP)</td><td>Knowledge and understanding of TWO methods to measure the size of PP</td><td>3</td></tr><tr><td>2a (APP)</td><td>Knowledge and understanding of ONE method to measure the size of PP</td><td>2</td></tr><tr><td>1 (K)</td><td>Knowledge and understanding of method(s) to measure the size of a business</td><td>1</td></tr><tr><td></td><td>No creditable content</td><td>0</td></tr></table> <p><i>K marks can only be awarded ONE mark in total, no matter how many instances</i></p> <p>Context and content is likely to come from:</p> <ul style="list-style-type: none">• Number of employees, national chain with 10% of the national market is likely to have a large number of employees therefore a large business• Revenue, e.g. chain 1 has 15% of \$50 m which is \$5 m, this would be a large business• Capital employed <table><tr><th>Method of measurement (K)</th><th>Possible context (APP)</th></tr><tr><td>Number of employees</td><td>National chain with 10% of the national market is likely to have a large number of employees therefore a large business</td></tr><tr><td>Revenue/Sales turnover</td><td>Use of figures from Fig 1 to show comparative size</td></tr><tr><td>Capital/assets employed</td><td>Reference to the likely capital/assets that a pizza business might have e.g. tables, kitchens etc.</td></tr><tr><td>Number of outlets</td><td>Pizza-shops/restaurants – must be specific to PP, not generic</td></tr><tr><td>Number of customers</td><td>Number of people who eat in the pizza-restaurants</td></tr><tr><td>Sales volume</td><td>Number of pizzas/meals sold</td></tr></table>	Level	Knowledge and Application	Mark	2b (APP+APP)	Knowledge and understanding of TWO methods to measure the size of PP	3	2a (APP)	Knowledge and understanding of ONE method to measure the size of PP	2	1 (K)	Knowledge and understanding of method(s) to measure the size of a business	1		No creditable content	0	Method of measurement (K)	Possible context (APP)	Number of employees	National chain with 10% of the national market is likely to have a large number of employees therefore a large business	Revenue/Sales turnover	Use of figures from Fig 1 to show comparative size	Capital/assets employed	Reference to the likely capital/assets that a pizza business might have e.g. tables, kitchens etc.	Number of outlets	Pizza-shops/restaurants – must be specific to PP, not generic	Number of customers	Number of people who eat in the pizza-restaurants	Sales volume	Number of pizzas/meals sold	3
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1(c)	<p>Analyse <u>two</u> factors Paul should consider when selecting a restaurant manager.</p> <table><tr><th>Level</th><th>Knowledge and application</th><th colspan="2">Analysis</th></tr><tr><td rowspan="2">2</td><td>Shows understanding of TWO factors of selection in context</td><td>4</td><td>Good analysis of TWO factors of selection in context</td><td>4</td></tr><tr><td>Shows understanding of ONE factor of selection in context</td><td>3</td><td>Good analysis of ONE factor of selection in context</td><td>3</td></tr><tr><td rowspan="2">1</td><td>Shows understanding of TWO factors of selection</td><td>2</td><td>Limited analysis of TWO factors of selection</td><td>2</td></tr><tr><td>Shows understanding of ONE factor of selection</td><td>1</td><td>Limited analysis of ONE factor of selection</td><td>1</td></tr><tr><td>0</td><td colspan="4">No creditable content</td></tr></table> <p><i>Highlight the factors as you mark</i> <i>One factor analysed in context, max 3+3</i></p> <p>Contextual analysis likely to come from:</p> <ul style="list-style-type: none">• Need to have customer service experience; marketing skills, communication etc.• Will be in charge of other employees; management skills• Will require skills in inventory management• New business so may need to be willing to work on lower salary	Level	Knowledge and application	Analysis		2	Shows understanding of TWO factors of selection in context	4	Good analysis of TWO factors of selection in context	4	Shows understanding of ONE factor of selection in context	3	Good analysis of ONE factor of selection in context	3	1	Shows understanding of TWO factors of selection	2	Limited analysis of TWO factors of selection	2	Shows understanding of ONE factor of selection	1	Limited analysis of ONE factor of selection	1	0	No creditable content				8
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	Examples of factors of selection	Examples of application/context	Examples of possible analysis	
	Qualifications	Any relevant restaurant management qualifications, customer service qualifications, inventory management etc... Diversity and equality	Better qualified manager → improved customer service → more sales → more profit	
	Location	Local town in country A – will need to live here or can relocate.	Lives near restaurant → more likely to be on time to work → better staff management	
	Skills	Customer service, supervising employees, inventory management.	Good inventory management → less wastage in the restaurant → lower costs → increased profit	
	Experience	In other (pizza) restaurants, one of the competitors, other PP restaurants. Experience in customer service, supervising employees, inventory management.	Worked in another PP restaurant → knows the procedures → less training needed → lower costs → increased profit	
	Cost			

Question	Answer				Marks
1(d)	Evaluate whether Paul should enter into a franchise agreement with PP.				11
	Knowledge and Application (4 marks)	Mark	Analysis and Evaluation (7 marks)	Mark	
			Justified evaluation based on arguments in context	7	
			Developed evaluation based on arguments in context	6	
			An evaluative statement based on arguments in context	5	
	Shows understanding of PP entering into a franchise agreement	3–4	Argument (two sided) based on the impact(s) of Paul entering into a franchise agreement with PP	4	
			Argument (one sided) based on the impact(s) of Paul entering into a franchise agreement with PP	3	
	Shows knowledge of franchises	1–2	Limited analysis of TWO impacts of entering into a franchise agreement	2	
			Limited analysis of ONE impact of entering into a franchise agreement	1	
	No creditable content				
<i>Impacts can be positive or negative – a balanced argument will cover both positive and negative impacts.</i> Annotate analysis and arguments FOR in the left hand margin and AGAINST in the right hand margin					

Question	Answer	Marks
	<p>Context/content:</p> <p>Advantages</p> <ul style="list-style-type: none"> • less risk to Paul as he benefits from the expertise and reputation of PP brand • Assistance from PP so Paul makes less mistakes in his business-decisions such as the policies for diversity and equality; • Access to local marketing and the PP website will help generate sales; <p>Disadvantages</p> <ul style="list-style-type: none"> • Up-front costs to purchase the franchise (\$40 000); • The royalty fee of 5% may be a drain on his cash flow • Clash of ideas as Paul will have to follow the criteria set out in his franchise agreement – this may limit his freedom to make decisions. <p>Evaluation is likely to come from a candidate:</p> <ol style="list-style-type: none"> 1. Judging whether the advantages outweigh the disadvantages 2. Weighting their response, for example, “this is the main advantage because” is likely to lead an evaluative response. 	

Question	Answer				Marks
An example of how an answer could develop and how it should be annotated.					
K	APP	AN	ANAN (one sided)	EVAL	
It is expensive to set up a franchise. (K)	An independent restaurant would cost \$25 000 whereas a PP franchise is \$40 000. (APP)	Which increases the costs of staring up a restaurant to Paul. (AN)	Which increases the costs of starting up a restaurant to Paul and may make it harder to break even or survive in his first year of trading. (ANAN – one sided)	Overall Paul should enter into a franchise agreement because the extra sales are likely to cover the extra costs. (EVAL – statement)	
	National above the line promotion will be provided within the setup cost. (APP)	Which is likely to increase sales in the first year. (AN)	However the reputation of PP may gain more sales in the first year making it more likely that he would break even and survive. (ANAN – two sided)	However he should do some market research to see just how much more the sales would be in a PP franchise. (EVAL – developed) If the extra sales did not cover the extra costs then he would probably be better opening the independent restaurant. (EVAL – justified)	

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2(a)(i)	<p>Define the term ‘batch production’ (line 3).</p> <table><tr><th>Knowledge and Application</th><th>Mark</th></tr><tr><td>A correct definition</td><td>2</td></tr><tr><td>A partial, vague or unfocused definition</td><td>1</td></tr><tr><td>No creditable content</td><td>0</td></tr></table> <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. Example(s) not required.</p> <table><tr><th>Exemplar</th><th>Mark</th><th>Rationale</th></tr><tr><td>Batch production is where quantities of identical goods are produced together and then move on to the next process</td><td>2</td><td>A correct definition</td></tr><tr><td>A group of products go from one stage of production to the next together</td><td>2</td><td>Both elements covered</td></tr><tr><td>When products are made in small quantities</td><td>1</td><td>Partial definition</td></tr><tr><td>Products made one a time</td><td>0</td><td>Confusion with job production</td></tr><tr><td>Products made continuously and are all the same</td><td>0</td><td>Confusion with flow/mass production</td></tr></table>	Knowledge and Application	Mark	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	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
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A co-operative is made up of people who share the responsibilities of the business (B). Each person has a vote and the decision making is shared.	1	Three points but all from B, so only one mark.																											

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2(b)(i)	<p>Refer to Table 1. Calculate the gross profit margin for 2016.</p> <table border="1"><thead><tr><th>Mark</th><th>Rationale</th></tr></thead><tbody><tr><td>3</td><td>Correct calculation of gross profit margin (with or without working or %)</td></tr><tr><td>2</td><td>Correct formula and correct calculation* of gross profit</td></tr><tr><td>1</td><td>Correct formula or correct calculation* of gross profit</td></tr><tr><td>0</td><td>No creditable content</td></tr></tbody></table> <p><i>Formula can be implied through the correct use of figures</i> <i>*working required or explicit identification</i></p> <p>$\frac{\text{Gross profit}}{\text{Revenue}} \times 100$</p> <p>$= 240 - 80 = 160$</p> <p>$= \frac{160}{240} \times 100 = 66.67\% \text{ (accept 66.7\% and 67\%)}$</p> <ul style="list-style-type: none">• Allow an answer of 66% or 66.6% or 66.66% as a TWO mark answer with or without working as the candidate has made one mistake in not rounding correctly.• Also allow an answer of 0.67 as a TWO mark answer with or without working as the candidate has made one mistake by not calculating a percentage <p>Allow full marks for a correct answer with or without working or % 67% or 66.7% or 66.67%</p>	Mark	Rationale	3	Correct calculation of gross profit margin (with or without working or %)	2	Correct formula and correct calculation* of gross profit	1	Correct formula or correct calculation* of gross profit	0	No creditable content	3
Mark	Rationale											
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1	Correct formula or correct calculation* of gross profit											
0	No creditable content											

Question	Answer			Marks
	Common incorrect answers			
	Answer	Mark	Rationale	
	GP=160	1	Explicit identification of gross profit	
	\$160	0	We have to assume this is an answer to the question and with no working, this is incorrect and therefore no marks	
	66%	2	Correct formula (implied) and correct (explicit) calculation of gross profit but the calculation of the GP margin is incorrect (with or without working)	
	0.67	2	Allow with or without working	
	$240 - 80 - 20 = 140$ $\frac{140}{240} \times 100 = 58.33\%$	2	Formula mixed up with net profit margin, so wrong formula, but correct calculations based on this wrong formula	
	58.33%	0	A wrong answer with no working	
	$\frac{90}{150} \times 100 = 60\%$	2	Formula is correct (implied) but 2014 figures have been used correctly OFR	
	$\frac{115}{180} \times 100 = 63.89\%$	2	Formula is correct (implied) but 2015 figures have been used correctly OFR	

Question	Answer	Marks																													
2(b)(ii)	<p>Explain the importance of profitability to QL.</p> <table><tr><th>Level</th><th>Knowledge and Application</th><th>Mark</th></tr><tr><td>2 (APP)</td><td>Explanation an importance of profitability in context</td><td>3</td></tr><tr><td>1b (KK)</td><td>Explain an importance of profitability</td><td>2</td></tr><tr><td>1a (K)</td><td>Identify an importance of profitability</td><td>1</td></tr><tr><td>0</td><td>No creditable content</td><td>0</td></tr></table> <p>Profitability is the margin between cost per unit and selling price (or the margin between total revenue and total cost). This is in contrast to profit which is the amount (i.e. not margin) made.</p> <p>Candidates do not need to show their knowledge of either profit or profitability. They need to explain an IMPORTANCE of profitability.</p> <p>Context and content is likely to come from:</p> <ul style="list-style-type: none">Profits pay owner/workers income, so profitability is essentialAs QL expands into Option A or Option B it will need to maintain profitability <table><tr><th>Importance (K)</th><th>Possible context (APP)</th></tr><tr><td>The achieve the objectives of the business</td><td>In QL the gross profitability is improving (60% in 2014, 63.89% in 2015 and 66.67% in 2016 OFR) Net profit has also been improving (50% in 2014, 55.56% in 2015 and 58.33% in 2016)</td></tr><tr><td>To avoid business failure</td><td>QL has made a profit in each of the last three years</td></tr><tr><td>To fund business growth/expansion</td><td>QL needs the profits/profitability to fund the expansion into Option A or Option B</td></tr><tr><td>To reward owners</td><td>Owners are the ten owner-workers who make up the co-operative – without pay they are likely to sell the business</td></tr><tr><td>To make a profit</td><td>The owner/workers will derive their income form QL</td></tr><tr><td>To assess business performance</td><td>QL could benchmark themselves against similar bag producing business</td></tr></table>	Level	Knowledge and Application	Mark	2 (APP)	Explanation an importance of profitability in context	3	1b (KK)	Explain an importance of profitability	2	1a (K)	Identify an importance of profitability	1	0	No creditable content	0	Importance (K)	Possible context (APP)	The achieve the objectives of the business	In QL the gross profitability is improving (60% in 2014, 63.89% in 2015 and 66.67% in 2016 OFR) Net profit has also been improving (50% in 2014, 55.56% in 2015 and 58.33% in 2016)	To avoid business failure	QL has made a profit in each of the last three years	To fund business growth/expansion	QL needs the profits/profitability to fund the expansion into Option A or Option B	To reward owners	Owners are the ten owner-workers who make up the co-operative – without pay they are likely to sell the business	To make a profit	The owner/workers will derive their income form QL	To assess business performance	QL could benchmark themselves against similar bag producing business	3
Level	Knowledge and Application	Mark																													
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Question	Answer	Marks																							
2(c)	<p>Analyse <u>one</u> advantage and <u>one</u> disadvantage to the other owner-workers of Iqbal’s leadership style.</p> <table><tr><th>Level</th><th>Knowledge and application</th><th colspan="2">Analysis</th></tr><tr><td rowspan="2">2</td><td rowspan="2">Shows understanding of democratic leadership in context</td><td rowspan="2">3–4</td><td>Good analysis of one advantage and one disadvantage of democratic leadership in context</td><td>4</td></tr><tr><td>Good analysis of one advantage or one disadvantage of democratic leadership in context</td><td>3</td></tr><tr><td rowspan="2">1</td><td rowspan="2">Shows knowledge of leadership styles</td><td rowspan="2">1–2</td><td>Limited analysis of one advantage and one disadvantage of leadership style</td><td>2</td></tr><tr><td>Limited analysis of one advantage or one disadvantage of leadership styles</td><td>1</td></tr><tr><td>0</td><td colspan="4">No creditable content</td></tr></table> <p><i>Leadership styles outlined in the specification are: Autocratic, democratic, laissez-faire, Theory X and Theory Y (McGregor)</i> Annotate advantages in the left hand margin and disadvantages in the right hand margin</p> <p>Content (K) is likely to come from:</p> <p>Advantages:</p> <ul style="list-style-type: none">• More ideas taken into account• Better communication• Improved motivation• Shared objectives/vision• Reduced employee turnover <p>Disadvantages:</p> <ul style="list-style-type: none">• Decisions may be discussed but the leader still makes the decisions – could demotivate• Time wasted in discussion• Employees may not have the ‘full picture’	Level	Knowledge and application	Analysis		2	Shows understanding of democratic leadership in context	3–4	Good analysis of one advantage and one disadvantage of democratic leadership in context	4	Good analysis of one advantage or one disadvantage of democratic leadership in context	3	1	Shows knowledge of leadership styles	1–2	Limited analysis of one advantage and one disadvantage of leadership style	2	Limited analysis of one advantage or one disadvantage of leadership styles	1	0	No creditable content				8
Level	Knowledge and application	Analysis																							
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Question	Answer			Marks
	Examples of features of democratic leadership	Examples of application/context	Examples of possible analysis	
	More ideas – advantage	The other nine owner/workers can add their ideas	Better decisions → revenue to continue to increase → profits for the owner/workers to continue to increase	
	Better motivation – advantage	More efficient production of bags, cases and wallets	Lower cost of production → less cost of sales → higher gross profit → more return for the owner workers	
	Wasted time in discussion – disadvantage	Less time for production of bags, cases and wallets	Increased cost of production → higher cost of sales → lower gross profit → less return for the owner workers	
	Poor decision making	Other owner/workers may not understand the data about the two options for expansion.	Choose wrong option → Expansion does not increase value of QL → profits for the owner/workers reduce	
	ARA			

Question	Answer				Marks
2(d)	Recommend which option QL should choose for expansion. Justify your choice.				11
	Knowledge and Application (4 marks)	Mark	Analysis and Evaluation (7 marks)	Mark	
			A justified recommendation for QL on which option it should choose for expansion based on the given argument(s) of Option A and Option B	7	
			A developed recommendation for QL on which option it should choose for expansion based on the given argument(s) of Option A and Option B	6	
			An evaluative statement/recommendation based on the given argument(s) of Option A and Option B	5	
	Shows understanding of Option A and Option B for expansion	4	Argument(s) based on Option A and Option B for expansion	4	
	Shows understanding of Option A or Option B for expansion	3	Argument(s) based on Option A or Option B for expansion	3	
	Shows knowledge of expansion	1–2	Limited analysis of Option A and Option B for expansion	2	
			Limited analysis of Option A or Option B for expansion	1	
	To access evaluation candidates must have shown understanding of Option A and Option B with two pieces of argument (ANAN)				

Question	Answer	Marks
	<p>Context/content:</p> <p>High priced leather shoes</p> <ul style="list-style-type: none"> • Larger market value • Branding is important and QL has an established brand • High prices could be charged due to price inelasticity • Competition is high, but brand could overcome this • Cost of new machinery • New distribution channels; do QL have any experience of this – cost? <p>Low priced leather belts</p> <ul style="list-style-type: none"> • Lower market value • Quality is important and QL have experience in leather market • Could use price competition due to price elastic response • Lower level of competition • Could be made on current machinery if there is capacity • Can use current distribution channels – cheaper option? 	

Question	Answer				Marks
An example of how an answer could develop and how it should be annotated.					
K	APP	AN	ANAN (one sided)	EVAL	
Expansion is when a business grows, for example by selling a new product range.. (K)	Option A would allow QL to expand into a market with a value of \$2m. This is bigger than the market for Option B. (APP)	A bigger market may lead to more sales for QL. (AN)	Which is likely to lead to a more successful expansion and more profit for the owner/workers. (ANAN – Option A)	Overall QL is more likely to be interested in having a small share of a large market, so should choose Option A. (EVAL – statement) However it depends upon how high the level of competition is and how much QL would need to spend on the marketing to establish themselves in the shoe market. (EVAL – developed)	
	However Option B only has a medium level of competition as opposed to a high level for Option A. (APP)	Less competition is likely to mean that QL will find it easier to establish their brand in the market. (AN)	Which is likely to lead to a higher chance of success in the Low priced leather belt market and more sales and profit over time. (ANAN – Option B)	As long as the potential revenue outweighs the costs of Option A then the larger market will allow much more growth than Option B and is therefore the better option. (EVAL – justified)	