Cambridge International AS and A Level Business

9609

Paper 2 – Data response

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Contents

Introduction

The main aim of this booklet is to exemplify standards for those teaching Cambridge International AS and A Level Business (9609), and to show how different levels of candidates' performance (high, middle and low) relate to the subject's curriculum and assessment objectives.

In this booklet candidate responses have been chosen to exemplify a range of answers. Each response is accompanied by a brief commentary explaining the strengths and weaknesses of the answers.

For each question, each response is annotated with a clear explanation of where and why marks were awarded or omitted. This, in turn, is followed by examiner comments on how the answer could have been improved. In this way it is possible for you to understand what candidates have done to gain their marks and what they will have to do to improve their answers. At the end there is a list of common mistakes candidates made in their answers for each question.

This document provides illustrative examples of candidate work. These help teachers to assess the standard required to achieve marks, beyond the guidance of the mark scheme. Some question types where the answer is clear from the mark scheme, such as short answers and multiple choice, have therefore been omitted.

The questions, mark schemes and pre-release material used here are available to download as a zip file from Teacher Support as the Example Candidate Responses Files. These files are:

Question Paper 12, June 2016	
Question paper	9609_s16_qp_12.pdf
Mark scheme	9609_s16_ms_12.pdf
Question Paper 22, June 2016	
Question paper	9609_s16_qp_22.pdf
Mark scheme	9609_s16_ms_22.pdf
Question Paper 32, June 2016	
Question paper	9609_s16_qp_32.pdf
Mark scheme	9609_s16_ms_32.pdf

Past papers, Examiner Reports and other teacher support materials are available on Teacher Support at **https://teachers.cie.org.uk**

How to use this booklet

Example candidate response – high	Examiner comments
	1 It is useful, although not always necessary, to start off with a clear de...

Answers by real candidates in exam conditions. These show you the types of answers for each level.
Discuss and analyse the answers with your learners in the classroom to improve their skills.

Examiner comments are alongside the answers, linked to specific part of the answer. These explain where and why marks were awarded. This helps you to interpret the standard of Cambridge exams and helps your learners to refine their exam technique.

How the candidate could have improved their answer

The second cost of customer satisfaction is not as well
benefited from acknowledging that products will be una
hence leading to disappointment.

In addition, three benefits have been explained. Presu
rather than foreseen but the candidate has explained su
answer.

This explains how the candidate could have improved their answer and helps you to interpret the standard of Cambridge exams and helps your learners to refine exam technique.

Common mistakes candidates made in this question

(a) Not being able to move beyond Level 2 due to not un
of these two types of expenditure and the effect of this o
the two expenditures and again the effect of this on the

(b) Confusion over what classes as an internal source o
sales revenue or debentures.

This lists the common mistakes candidates made in answering each question. This will help your learners to avoid these mistakes at the exam and give them the best chance of achieving a high mark.

Assessment at a glance

For Cambridge International AS and A Level Business, candidates:

- take Papers 1 and 2 only (for the Cambridge International AS Level qualification)

    or

- follow a staged assessment route by taking Papers 1 and 2 (for Cambridge International AS Level qualification) in one series, then Paper 3 (for the Cambridge International A Level qualification) in a later series

    or

- take Papers 1, 2 and 3 in the same examination series, leading to the full Cambridge International A Level.

All components are externally assessed.

Component	Weighting	
	AS Level	**A Level**
Paper 1 Short answer and essay **1 hour 15 minutes** Section A: Four short answer questions (20 marks) Section B: One essay from a choice of three questions (20 marks) Based on the AS Level syllabus content 40 marks	20% 20%	10% 10%
Paper 2 Data response **1 hour 30 minutes** Two data response questions based on AS Level syllabus content 60 marks	60%	30%
Paper 3 Case study **3 hours** Five questions and one essay (from a choice of two) based on a case study Based on the additional A Level syllabus content and also assumes knowledge and understanding of the AS Level syllabus content 100 marks	–	50%

Teachers are reminded that the latest syllabus is available on our public website at **www.cie.org.uk** and Teacher Support at **https://teachers.cie.org.uk**

Paper 2 – Data response

Question 1

Example candidate response – high	Examiner comments
1 ai Opportunity cost refers to the next best option that the consumers give up by making a choice. **(1)** In this case it would be their next favourite scented candle that they would have to give up. 1 aii Market research refers to ~~how much~~ ~~reas~~ the research the business conducts on the market **(2)** ~~ou~~ and its ~~consumer~~ customer base. **(3)** There is primary and secondary research. **(4)** Primary research is research that the business owner conducts itself. It is more accurate, as it is specific to the business and is up to date. Secondary research refers to analysing and using research that has been conducted by other people. It isn't as accurate, but is less expensive and less time consuming. **(5)**	**(1)** This first sentence is a reasonable definition of opportunity cost. The second sentence is not needed for a definition, but would be part of an explanation. Mark for (a)(i) = 2/2 **(2)** The first part of this sentence repeats the same terms as the question. This adds nothing to the answer and wastes valuable time. **(3)** Understanding that this is to do with the customer base is worth a mark. **(4)** 'Primary' and 'secondary' are part of a good explanation; the second mark is gained here. **(5)** Here, the answer digresses into describing primary and secondary research and does not answer the question. However, the last sentence shows that the candidate knows that research can be time-consuming and expensive, so the third mark is gained. If the candidate had just stated that market research can be expensive, this would have been more succinct and still gained all three marks. Mark for (a)(ii) = 3/3

Example candidate response – high, continued	Examiner comments

Example candidate response:

	bi	5-4 =$1 750-2500= 250 units
		(6) 2500 units 250 ÷ 1 = 250 x 100 = 250,000 250,00%
	bii	Price elasticity of demand means changing the
		price of a product based on the consumer demand
		for it. **(7)** This is benefitial, especially to Jane, because
		it means that they can decrease the sales
		price when sales are less than expected, so it
		increases demand for the product **(8)** in this case
		sales grew by 1.5%, meaning that Jane's
		revenue could increase, which is essential
		(9) for a small new business like scented candles **(10)**

Examiner comments:

6 The candidate has tried to use the actual changes, rather than the percentage changes. Although this gives a wrong answer, the fact that the candidate has taken the change in QD and divided by the change in price means that one mark can be awarded. If the candidate had only given the answer and not shown their working, then this would not have earned any marks.

Mark for (b)(i) = 1/3

7 The candidate has little idea what PED is, or what it is used for.

8 There is some understanding here of the law of demand (i.e. when price goes down, demand will usually rise), but this does not answer the question.

9 Unclear where this figure comes from, and there is no real use of PED explained here.

10 If the candidate had used their wrong answer to (b)(i) (250) to suggest that SC should not decrease the price of the candles because it is such an elastic response and would decrease revenue, then they would have gained full marks. If a numeric answer is wrong, even if it is ridiculously wrong, then use of that figure can be rewarded as if it were correct in a subsequent answer under the Own Figure Rule (OFR).

Mark for (b)(ii) = 0/3

Example candidate response – high, continued	**Examiner comments**

Candidate response:

1 c$ Objectives are goals set by the business.

SC's objectives may change over ~~a~~ time because at the moment, ~~Jane~~ SC has only been ~~operating~~ trading for one year and is a sole trader business. Therefore, her first objective was survival, which she has achieved. ~~As a SC Jane now needs to create a new objective. Based on the case study,~~ As a result, she now needs to create a~~n~~ new objective. **(11)**

One reason why SC's objectives may change over time is to keep up with the several other competitors in the area. SJane will need to do this because she is a~~s~~ new sole trader business with unlimited **(12)** liability, meaning she could lose all her personal possession if she fails. She will need to keep up with the competitors by changing her product prices (Price elasticity of demand) or promoting her business. This will lead to increased sales, which could ~~gain gives~~ give her a larger market share. As a result, she will be ahead of her competition and her business is more likely to survive **(13)**

Another reason why ~~her~~ SC's objectives may change is if she develops a website for e-commerce. If so, her objective may be to create a successful, attractive and useful website. This will be good for Jane as more customers will be able to access her business, leading to a larger customer base. ~~Sh~~ **(14)** Furthermore, she could ~~create~~ gain a promotion through word of mouth, which leads

Examiner comments:

(11) Good contextual understanding of objectives. The candidate earns 3/4 marks for knowledge and application.

(12) More contextual understanding, but no analysis has been included yet. The answer gains all of the knowledge and application marks (4/4) at this point.

(13) A piece of good analysis which shows the full impact on the business of this change in objectives. If the answer had just stated that it could increase sales, then it would be limited analysis and only worth 1/4 analysis marks. However, as it goes further, it is worth 3/4 analysis marks. At this stage in the answer, the candidate has gained a total of 7/8 marks. As the rest of the answer fails to maintain this level of analysis and all of the application marks have been gained, this is the most this answer will earn.

(14) The start of some analysis here, but only limited, so does not add to the marks. If they had gone on to suggest that the larger customer base could increase sales and could lead to an increase in profit and income for Jane, then it would be have contained good analysis and gained the last mark available.

Example candidate response – high, continued	Examiner comments
to a good reputation and potentially more sales. **15**	**15** This is a separate piece of analysis and again only limited. One piece of good analysis is always worth more than several pieces of limited analysis.
1 d The marketing mix includes: price, product, place and promotion. I would recommend that Jane focuses on price and promotion. **16**	Mark for (c) = 7/8
This is because Jane found it difficult to decide on an effective pricing strategy, and revenue has been 15% less than expected. ~~Therefor~~ Also, as she did not carry out market research before starting SC she doesn't know what the price of the **17** candles should be. Therefore, if Jane focuses on the price of her candles, ~~she may b~~ and carries out some ~~market~~ primary market research based on her local competitors in the area, she will be able to compete with the competitors and ~~coousd~~ could increase her sales per month. As a result, her revenue will increase and could reach what was expected. **18**	**16** There is nothing wrong with putting the recommendation at the beginning, but it is not worth any marks at this stage because it has not yet been justified. It is often best to leave the recommendation until after the analysis and arguments have been put forward as this is a more logical flow and helps the examiner to follow the reasoning.
I believe Jane should also work on promotion because it will make her business more known, which will enable her to have a larger customer base. She could then question them on what they believe should be ~~the price of her~~ products, ~~and~~ which could give her a better reputation as she will **19** be seen to adjust things based on her customers. ~~⚡~~ Jane could also advertise her business on social media sites, which is ~~cheap~~ beneficial for SC as ~~the~~ it is cheap and it is a new business	**17** Nice contextual understanding of price and therefore worth 3/4 marks for knowledge and application.
	18 Good analysis here: the candidate goes beyond the idea of just becoming more competitive and takes the point through to increasing sales and then revenue. At this point the candidate has 6 marks in total (3/4 for knowledge and application and 3/7 for analysis and evaluation).
	19 This part of the answer is much weaker because it is general and not contextualised. It therefore adds nothing to the marks already gained.

Example candidate response – high, continued	Examiner comments
20 with a small budget. This will result in a larger customer base, leading to more sales and therefore revenue. **21** In conclusion, I believe that an effective marketing mix for SC's second year of trading is price and promotion as it is a small business which **22** needs to be more known to increase sales.	**20** This is much better because it is relevant to a new business, showing good understanding/ application in context and gaining the last knowledge and application mark (4/4 at this point). **21** This is another piece of brief but good context-based analysis, giving a total mark at this point of 8/11 (4/4 for knowledge and application and 4/7 for analysis and evaluation). **22** This judgement links back to the beginning, where the candidate suggested that the business should focus on price and promotion. It follows two pieces of good analysis and answers the question, therefore the mark at this point increases to 10/11 in total (4 for knowledge and application and 6 for analysis and evaluation).

Example candidate response – high, continued	Examiner comments
The price also needs to be accurate and related to the competitors price to increase sales. This would then allow Jane to focus on her website. However, it depends on whether the pricing strategy of price elesto elasticity of demand continues being helpful and useful for SC, and what types of promotion Jane is willing to use. **(23)**	**(23)** The last mark is awarded for a justification of this judgement. However, the candidate really just repeats their analysis and does not add to their recommendation. A good strategy might have been to justify why the other two Ps are less relevant or to suggest that the recommendation depends upon external influences. The attempt to justify only focuses on price and is general, so does not gain the last mark. However, this is a relatively brief answer that gains most of the marks and sensibly focuses on two of the elements of the marketing mix, which saves time for later questions. Mark for (d) = 10/11 **Total mark awarded = 23 out of 30**

How the candidate could have improved their answer

(a)(i) The first sentence was enough for a complete definition. The second sentence was unnecessary and could have been omitted.

(a)(ii) This answer could have been much shorter and focused on market research, rather than explaining types of market research.

(b)(i) PED needs to be based on the percentage change not the actual change.

(b)(ii) The candidate did not answer the question about how the figure they calculated (although incorrect) could be useful to SC.

(c) The second point could have been analysed in the same depth as the first point.

(d) The recommendation was based on good contextual analysis but it was not fully justified.

Mark awarded = **(a) (i) 2/2, (a) (ii) 3/3**
Mark awarded = **(b) (i) 1/3, (b) (ii) 0/3**
Mark awarded = **(c) 7/8**
Mark awarded = **(d) 10/11**

Total marks awarded = 23 out of 30

Example candidate response – middle	Examiner comments

Example candidate response – middle

A1 Ai Opportunity cost is when you buy something but then can't eant & get the next best thing. As if you are deciding between two cars, and you buy one you can't and go and get their next best other one. **1**

A1 Aii Market research is when you research your market **2** There is primary research and secondary research. Primary is when you collect the research first hand, but costs alot more money than secondary. Secondary is done first and is cheaper to collect as someone has done it for you. **3**

B1 bi % in demand = $\dfrac{50\%}{20\%}$ = -2.5 **4**
% in price

Examiner comments

1 The first sentence is a vague definition. The example helps to show that the candidate knows what opportunity cost is, but a quick and accurate definition would have been better. This only just gains both marks.

Mark for (a)(i) = 2/2

2 Repetition of the terms in the question that gains no marks on its own.

3 This response attempts to explain the types of market research, not market research as a whole. A mark is awarded for knowing the types, and another mark can be given for the implied understanding that market research is expensive.

Mark for (a)(ii) = 2/3

4 A correct answer with some of the stages shown. It is a good idea to include every stage in a calculation, in this case by showing how the percentage change in QD and P has been calculated.

Mark for (b)(i) = 3/3

Example candidate response – middle, continued	Examiner comments
1 bii One benefit if if SC use price elasticity of demand when making pricing decisions is that it will help to tell them if there $ candles are price elastic or inelastic, 5 so then they will know whether to raise or lower the price of the candles to increase sales revenue, as when she lowered the price of her candles her revenue increase by $500 6	**5** True but too unspecific. Just mentioning candles is not enough for context. 1/3 marks at this stage. **6** This last point makes the answer contextual because the candidate uses information from the data about SC to answer the question. It would have made more sense for the candidate to identify their answer to (b)(i) as an elastic response, showing that Jane should reduce the price of her candles. Mark for (b)(ii) = 3/3

Example candidate response – middle, continued	Examiner comments
C1 C SC's objectives might change over time, because in the first year of trading your main aim would to be to break-even, where as in the years after that it is to make a profit, and (7) increase sales, in order to increase profit. Also after time the owner of SC might want to expand, which means that, she will change her objectives, maybe from increasing profit, to being able to open a new store in a different location, meaning she will need to come up with new objectives for the new store, such as then for that store to break even within the first year. (8)	**(7)** This is true, but not specific to SC. This therefore gains 1/4 marks for knowledge and application that is not in context.

(8) More knowledge without context about objectives and no analysis of the impact of time on the objectives or the impact on SC of the change. Therefore, this gains 2/8 in total for some uncontextualised knowledge and no analysis.

Mark for (c) = 2/8 |
| C1 D An effective marketing mix for SC's second year of trading would be to have good promotion of it's products meaning thee are good and successful marketing campaigns for the products, leading (9) to an increased awareness of the candles, leading to an increased revenue, which means that profit will increase, as long as costs don't exceed increase in (10) revenue. Also they may want to release new and updated products, such as a (11) larger range of candles making there range maybe for a wider market, as at the moment they are in a niche (12) market. As they have been trading for over a year, for the SC's second year | **(9)** Stating the product sold by the business (candles in this case) is not enough to provide context. There is plenty of data available to contextualise the importance of promotion for SC.

(10) Although this analysis goes further than a basic point, it can only be awarded marks for limited analysis owing to the lack of context. At this point, the candidate has gained 2 marks in total (1/4 for knowledge of the marketing mix without context and 1/7 for analysis and evaluation).

(11) A second P (Product) gains a second mark for knowledge and application.

(12) This is context linked to product, gaining 3/4 marks for knowledge and application. |

Example candidate response – middle, continued	Examiner comments

they might be good to review/change their pricing strategy, as to start of they could have done market penetration pricing to undercut competitors and to get **13** customers, but now they have customers they could raise their prices, to increase revenue if their scented candles are price inelastic. They could change their place in the market from niche with luxury scented scented candles to more mass market to just normal scented candles to aim for a wider audience increasing **14** the amount of potential customers. I think with this reviewed marketing mix, it would make their second year of trading more effective, leading to an increased revenue, and increased profit as long as costs don't exceed increase in revenue. **15**

13 A third P (Price) which is in context because the candidate has identified that SC has been trading for a while. This gains all 4 marks for knowledge and application at this point.

14 Limited analysis here: the point could have been developed to cover profit and income for Jane. This is the second piece of limited analysis, so 2/7 for analysis and evaluation at this point.

15 This is good analysis; the candidate gets the benefit of the doubt that this is linked to the point about price earlier in the paragraph. This is awarded 7 marks in total (4 for contextual knowledge and application and 3/7 for analysis and evaluation).

Mark for (d) = 7/11

Total marks awarded = 19 out of 30

How the candidate could have improved their answer

(a)(i) A better definition would have gained both marks without the need for an example.

(a)(ii) The focus here should have been on explaining market research, not the different types of market research. Candidates should avoid merely repeating the content of the question.

(b)(i) The candidate should have shown each stage of their calculation, just in case the answer was wrong.

(b)(ii) Although the candidate gave a contextualised answer, they missed the opportunity to use the answer to the previous question to gain the contextual marks.

(c) The points made could have been easily contextualised to make them specific to SC. The candidate then needed to go on and analyse the impact on SC of these possible changes to objectives.

(d) Each point needed to be taken further to show good analysis. There was only one piece of good analysis at the very end. The attempt at a recommendation was weak and did not show how the points made could be blended together, or which elements of the mix might be more important than others.

Mark awarded = **(a) (i) 2/2, (ii) 2/3**
Mark awarded = **(b) (i) 3/3, (ii) 3/3**
Mark awarded = **(c) 2/8**
Mark awarded = **(d) 7/11**

Total marks awarded = 19 out of 30

Example candidate response – low	Examiner comments
1 a i It is the product that Consumers ~~choose~~ ~~over another product~~ didn't choose due to a more Important or better product **1** a ii Its making a research in the market for the highest trend for Consumers in the market or the more demanded and its used to have a market expansion for a business **2** b i $\dfrac{750 - 760}{5 - 4}$ **3** b ii It gives the average Cost for the product in the market which will let the product gain higher profit and more Consumers could buy it. **4**	**1** This only just earns the full two marks, as the definition is weak. However, it does have the necessary components for a definition of opportunity cost and therefore the examiner gave the candidate the benefit of the doubt. Mark for (a)(i) = 2/2 **2** One mark for understanding that market research aims to find out about consumers and another mark for a use of market research (in market expansion). Poorly explained, but some understanding. Mark for (a)(ii) = 2/3 **3** This shows some idea that QD goes on the top of the equation and price on the bottom, but there is no calculation of the actual change for both or the percentage change for either. If the candidate had at least written the formula, they would have gained a mark. Mark for (b)(i) = 0/3 **4** The candidate has tried to come up with something that might gain a mark, but in the end this shows that they have no understanding of PED. Mark for (b)(ii) = 0/3

Example candidate response – low, continued	Examiner comments
C **⑤** SC objectives will start to change due to achieving her old objectives and goal ~~therefor~~ due to achieving some goals and objectives her business started to expand ~~her business~~ so she will have more objectives to achieve, which will make her business expand more.. By achieving more objectives her business will gain more profits **⑥** so she will have other objectives for expansion and gaining more profit. she will also aim for her business to grow.	**⑤** The candidate recognises that SC has achieved its objectives here. This is knowledge in context so gains 3/4 for knowledge and application at this point. **⑥** Very weak and limited analysis that SC may gain more profit from setting a new objective to expand. This is poorly written, but just gains 4 marks in total (3 marks for contextual knowledge and application and 1 mark for limited analysis). Mark for (c) = 4/8

Example candidate response – low, continued	Examiner comments
D) SC Could enter a new market of luxuries to sell it with the Gadgets. So SC started to have more goals and objectives to aim for **(7)** in her second year. and she started to understand how to figure out the size of **(8)** price of her products and she knew how to calculate the price elasticity of demand. And she wants to develope a website for **(9)** her business for advertising and selling online **(10)** to expand her business. And now Jane can compete in the market and her business survived for one year.	**(7)** There is no mention of any of the elements of the marketing mix at this point so this is irrelevant. **(8)** A mark for knowledge of price as an element of the marketing mix. **(9)** A mark for contextual understanding of promotion as an element of the marketing mix. This is contextual because the data makes it clear that Jane wants to develop a website. This increases the knowledge and application mark to 3/4 at this point. **(10)** Some limited analysis shown here, as this promotional method (the website) could lead to expansion, which is an impact on SC. It is weak and does not go any further, resulting in a total mark for this response of 4/8 (3/4 for knowledge and application and 1/4 for analysis). Mark for (d) = 4/11 **Total marks awarded = 12 out of 30**

How the candidate could have improved their answer

(a)(i) This was a weak definition that only just earned both marks. A textbook definition would have demonstrated much better understanding.

(a)(ii) The candidate stated that market research is used for market expansion. However, there are many other uses of market research which could have been mentioned to gain the third mark.

(b)(i) The candidate obviously had no idea of how to calculate PED. If just the formula had been learned and written here, one mark could have been gained.

(b)(ii) No understanding of PED was demonstrated here, so no marks.

(c) There was some context here, but far more could have been used to gain four marks for knowledge and application. The analysis was limited and basic. The candidate could have gone further and shown the full impact on the business of a new objective, such as expansion, i.e. more customers, more revenue, more potential profits and a higher income for Jane.

(d) The answer was too brief for a question with 11 marks. There was only one piece of context (very weak) and one short piece of limited analysis. The candidate could have taken each element of marketing mix they used and applied it to the context of SC, showing the impact on the business.

Mark awarded = **(a) (i) 2/2, (ii) 2/3**
Mark awarded = **(b) (i) 0/3, (ii) 0/3**
Mark awarded = **(c) 4/8**
Mark awarded = **(d) 4/11**

Total marks awarded = 12 out of 30

Common mistakes candidates made in this question

Too much time was wasted on **(a)(i)**. A definition is a simple, clear thing that can be learned and then repeated in the examination.

There was not enough focus on the question in **(a)(ii)**. This was about the term 'market research', not about the types of market research.

There was a general lack of application to the specific context in the answers to **(b)(ii)**, **(c)** and **(d)**. All these responses should have focused on the business in the data, not businesses in general.

There was a lack of knowledge of how to calculate and use price elasticity of demand. There will always be calculation questions on Paper 2, so all the potential calculations in the specification should be learned.

Explanations and definition questions should avoid repetition. The words used by candidates should not be exactly the same as the words in the question, as this does not demonstrate understanding.

Good analysis must be in context and show all the links in the chain of impact, consequence or reaction. For example, it is not enough just to suggest something increases sales; candidates need to say *how* this impacts on the business. Answers too often left the examiner thinking 'so how does this impact SC?'.

Question 2

Example candidate response – high	Examiner comments
2 ai Redundancies mean that jobs are no longer needed, so the workers who are doing those jobs become **(1)** unemployed and and those ~~woke~~ workers have no fault of themselves	**(1)** The candidate correctly identifies that redundancy is about the job no longer being needed, not the employee. Mark for (a)(i) = 2/2
2 aii Joint venture is ~~a business~~ that two businesses work **(2)** together for a specific project and create a specific **(3)** new division to do so. MS wants to enter into a joint venture for opening a new factory which is the specific project businesses will work together to focus on. The other two factories of MS is are not involved in the project. Once the project finished, businesses will become ~~separate~~ separate. **(4)**	**(2)** A mark for two businesses working together. **(3)** This is unnecessary, and since it repeats elements from the given data it does not add to the answer. **(4)** A second mark for understanding that the businesses are likely to continue separately at the end of the venture. Mark for (a)(ii) = 2/3
2 bi $X = (\text{Production} - \text{Inventory}) \times \text{average price}$ $= (140000 - 20000) \times \$10$ $= \$1.2$ million $\therefore X = \$1.2$ **(5)**	**(5)** A good response which outlines all the stages in the answer. Very clear and well set out. Mark for (b)(i) = 2/2
2 bii The average price of per pair of shoes has decreased from \$16 to \$10 from 2013 to 2015. **(6)** The revenue has decreased, so MS may lose market share in the market. MS may be less **(7)** competitive in the market. The fall in the average price of shoes may also leads to a decrease in profits. MS may lose the chance to reinvest its profits into the business to expand itself.	**(6)** The candidate has used the data to recognise that the revenue has decreased because of the price falling. At this point the candidate has gained 3/4 marks for a contextual answer. **(7)** The response then goes further to fully explain the impact on MS. All of the marks have been gained by this point so the second paragraph is unnecessary. Mark for (b)(ii) = 4/4

		Example candidate response – high, continued	Examiner comments

Example candidate response – high, continued

2 | c | Labour intensive production is the high level of labour ~~unit~~ input compare to capital equipment. The first disadvantage is that cost may be increased. Labour intensive production process requires multi-skilled **(8)** workers because of flexibility in making shoes. So MS has to give effective training to workers. This will increase the cost to MS especially off-the-job training. More costs means less profits to MS. MS may lose the opportunity to use profits to expand **(9)** itself. Labour intensive also needs better motivation. So MS may also need to improve working condition to increase motivation which will also increase costs. The second disadvantage is ~~the~~ low productivity compared to capital intensive. Capital intensive can use equipments which ~~is~~ are already set to work to produce ~~continu~~ continuously. But workers need to rest which may lower the productivity. Most **(10)** competitors use capital intensive production methods, so MS lose competition in the market which makes MS can not gain market share. Even worse, MS may fail eventually because of losing competition in the **(11)** market.

Examiner comments

(8) There is obvious knowledge of labour intensive production here and a little context/application to MS in terms of the need for flexibility because MS makes a range of shoes. The candidate gets the benefit of the doubt that this is what they meant.

(9) A clear chain of good analysis that is based on a contextual point. At this point in the answer, the candidate has 3/4 for knowledge and application and 3/4 for analysis.

(10) The fact that the competitors use capital intensive production makes this point contextual, so 4/4 for knowledge and application at this point.

(11) Again a chain of good analysis making this a full mark answer.

Mark for (c) = 8/8

Example candidate response – high, continued	Examiner comments

Candidate response:

2 d MS can use bank loans. MS need $5m in ve investment in capital equipment. $5m is a large amount of money needed. Operating a new factory takes long time to make profits, so MS can use long-term bank loans Therefore MS does not need to worry about repaying money back in the short term. MS can just focus on operating the new factory to get gain the profits. However, once the factory fails, it may cause a serious consequence to MS of being not able to repaying money **(12)** back to the bank

MS can also use find a new partner who has got lots of money to join MS to be joint **(13)** venture to open the new factory MS would be to enter into a joint venture, so MS needs to a partner to to work together. MS can find a partner with a large amount of money Therefore MS does not need to worry about repaying money back because MS can occupy small percentage of the new factory because of offering small amounts of money. There is no risk for the future. However, MS may lose control of the new factory because MS just occupies small shares of the new factory. The ownership of the factory may be affected

To evaluate, bank loans and a new partner are sources of finance MS could use. Bank loans is risky because it depends on whether the factory can successfully operate in the future to make profits or **(14)** not. A new partner is safer for MS but may lose control of the new factory. Most importantly, MS can use several both sources of finance to raise $5m to reduce the risk in the future.

Examiner comments:

(12) Knowledge of bank loans as a source of finance, with a clear chain of analysis looking at both the advantages and disadvantages of MS using a bank loan (context). One source of finance which has been evaluated in terms of a two-sided argument gains 5/7 for analysis and evaluation here. At this point, the response has gained 8/11 marks (3/4 for knowledge and application and 5/7 for analysis and evaluation).

(13) MS is a private limited company, so partnership is not relevant to the context here. However, the candidate was given the benefit of the doubt that they were suggesting an extra business joining the joint venture in order to reduce the amount needing to be funded by MS. In this case, this is a contextually relevant source of finance.

(14) The candidate makes a judgement that a new partner is safer, then justifies this, gaining full marks.

Mark for (d) = 11/11

Total marks awarded = 29 out of 30

How the candidate could have improved their answer

(a)(i) This could have been slightly more succinct.

(a)(ii) There was repetition from the case study which did not show understanding of the required term. If an example is to be used, it should not be from the data.

(b)(ii) All the marks were gained in the first paragraph, the second paragraph was unnecessary.

(c) The candidate should have included better context for their first point. This is just good enough to get the marks.

(d) The candidate used a technical term (partnership) in a general way. This was not penalised but could have led to a reduced mark as it might have been considered as a non-contextual point. Terms need to be used with accuracy and in a way that is specific to the case study given.

Mark awarded = **(a) (i) 2/2, (ii) 2/3**
Mark awarded = **(b) (i) 2/2, (ii) 4/4**
Mark awarded = **(c) 8/8**
Mark awarded = **(d) 11/11**

Total marks awarded = 29 out of 30

Example candidate response – middle	Examiner comments

Example candidate response – middle

2 a i Redundancies: refers to when a job no longer exists, and so employees are asked to leave. Maccintosh Shoes (MS) **may** ~~the mark in~~ make workers redundant, as advanced machinery and technology will ~~not use~~ need ~~to be operated by workers~~ take over the work that would have been done by employees.

ii Joint venture is when two or more businesses come together in order for the one business to help the struggling one to boost its performance. It is similar to a partnership. However, some joint ventures have limited liabilities, whereby partnerships do not. Thus MS may consider being a joint venture so that they perform better, as they have the

support of another business.

Examiner comments

1 A perfectly good definition. Both marks awarded.

Mark for (a)(i) = 2/2

2 Good understanding that a joint venture is two or more businesses and that the combination could boost performance. Two marks at this point.

3 The point about liability and partnerships does not answer the question, but a benefit of the doubt mark is given for the idea of combined resources/ support from two businesses.

Mark for (a)(ii) = 3/3

Example candidate response – middle, continued	Examiner comments

Example candidate response:

b i) Value of X = Average price x production

X = $10 x 140.000

X = $1.4 (million) **(4)**

ii) The fall in the average price of shoes will mean that MS's has a decrease in the revenue they make. As seen in Table 2, when the average price for 2013 was $16, their revenue was $1.92 million, but in 2015, **(5)** average price dropped to $10 per pair, resulting in a decrease of $520 000. This as This as MS shoes average price increases, revenue increases, meaning more profits generated in the long term. **(6)**

c) Labour intensive is a process whereby a business invests heavily in workers, so that operational processes can be carried out. Thus, if MS **(7)** uses labour intensive production processes, then that means that the more workers they have, the more expenses they have to cover, as wages need to be covered. An increase / a large number of costs can affect the rate of profitability of a business. If MS generates its **(8)** profits slowly, then its survival may be affected.

A labour intensive process may mean that resources are wasted, as some employees may take advantage of the large number of workers. Thus, work may be abandoned, affecting the productivity of MS. Because of the large amounts of workers, some MS management may fail to take control of situations if not closely monitored, an end up paying workers who would not have done anything. Also, competition amongst workers may result, creating tension and accusation of favouritism, as for the delegated **(9)** responsibilities.

Large numbers of workers can affect a business as some people working for MS may be influential negatively. Thus, if some workers are not content with eg, working conditions or payment salary payments, then industrial action may result. This portrays a negative image for MS, and may increase its labour turnover – as workers may seek

Examiner comments:

(4) The candidate does not take off the finished goods inventory left at the end of the year.

Mark for (b)(i) = 1/2

(5) This figure is actually wrong as there was a decrease of $720,000. However, because the candidate has used their incorrect answer from (b)(i), they are not penalised again (under the own figure rule [OFR]), so gain full marks.

Mark for (b)(ii) = 4/4

(6) Contextually relevant use of the data to show the decrease in revenue that came from a decrease in price. This is fully explained.

(7) Good knowledge of labour intensive production but no context, so 2/4 marks so far for knowledge and application.

(8) Analysis which has a chain of analytical points but which is not in context so can only be credited as limited. 1/4 for analysis at this point.

(9) Another piece of analysis, but as this is all non-specific, the candidate has reached the maximum mark for a non-contextualised answer (4/8).

Example candidate response – middle, continued	Examiner comments

better have elsewhere ⑩

d There are two types of sources of finance that MS may consider if the joint venture proposal is agreed. Internal sources of finance are those that are within the business. Thus, MS may use its retained profits. By doing so, this is efficient as they (MS) has easy access to this money. It is also convenient, because the money is rightfully~ belongs to MS, thus they do not have to worry about paying interest. However, MS should take note that they could generate more money if they leave their profits in an interest paying bank, for its with held profits.

⑪ MS may also consider selling it assets. Usually these assets are non-current, such as machinery and vehicles that are no longer of use or value to the business. The only drawback is that the sold assets may be of purpose to MS in the long run, but will need to purchase new assets because they no longer own them. Also, it may be difficult to get hold of the particular asset.

⑫ Another source of finance that MS may use is leasing its assets. This method is convenient as idle assets can generate money. ~~Howev~~ However, MS can not take away the assets once they have been leased, because legally the asset is not of their possession at that period in time. Another disadvantage concerning leasing is that assets may be vandalized/ damaged and can no longer be used. This may become an expense to MS, as they have to replace the asset. Also, that particular asset may not be easily available.

⑬ Other sources of finance are external. Bank loans are very convenient for ~~MS~~ MS, as this method is flexible. Huge amounts of money can be borrowed, up to an agreed ~~payment~~ repayment date. Businesses such as MS can borrow large sums of money depending on ~~#~~ its reputation, and its financial position. However, with bank loans, an additional amount will need to be paid, called interest. This may be an extra expense to MS, as interest rates vary from 4-6%.

⑭ MS can also use government grants. This method is similar to

Examiner comments:

⑩ No context, so this does not improve the answer any further.

Mark for (c) = 4/8

⑪ Knowledge of internal sources of finance and some analysis, but no context.

⑫ Again knowledge and limited analysis, but no context. This has now reached the maximum mark for a non-contextualised answer which is 4/11.

⑬ No use of context.

⑭ No use of context.

Example candidate response – middle, continued	Examiner comments

bank loans. However, businesses such as MS will need to pay more tax. Government grants are ideal as they offer large sums of money, depending on the economic state of the country.

Other sources of finance may be, overdrafts. However, these are not ideally applicable for MS as overdrafts are usually small amounts - and **(15)** MS intends on using $5m for its capital equipment investment. Another drawback with bank – overdrafts is that, banks may demand prompt/immediate payment, which may be hard for MS to pay back, because **(16)** of the revenue they made of $1.4m.

Another source of finance MS could consider is working capital. MS may delay payment to its creditors. However, this is not advisable for MS, as it increases its expenses, and diminishes its (MS) reputation.

(15) The reference to the actual figure needed by MS, added to the point that an overdraft is inappropriate in this case constitutes contextual application so gains 3/4 marks for knowledge and application.

(16) This is just enough for good analysis as it is in context and goes slightly further than saying that MS would have difficulty repaying, by linking this to MS's decreasing revenue. This paragraph alone gains 6/11 (3/4 for knowledge and application and 3/7 for analysis and evaluation). The rest of the answer does not add to this mark. This shows the importance of context over general points.

Mark for (d) = 6/11

Total marks awarded = 20 out of 30

How the candidate could have improved their answer

(a)(i) The first sentence gained both marks. The rest of the answer was unnecessary.

(a)(ii) A lot of wasted words about partnership and limited liability, which did not focus on explaining a joint venture.

(b)(i) A calculation which earns a potential two marks is likely to have two stages; this answer only performed one of the two.

(b)(ii) There was no need to quote the figures from the case study as, by using them, the answer will be contextual.

(c) There was good knowledge here and some attempt at analysis but the answer was weakened by a lack of context. The maximum mark this answer can gain without context is 4/8.

(d) If the candidate had only written the penultimate paragraph, they would still have been awarded 6/11. One contextualised point is better than any number of general ones.

Mark awarded = **(a) (i) 2/2, (ii) 3/3**
Mark awarded = **(b) (i) 1/2, (ii) 4/4**
Mark awarded = **(c) 4/8**
Mark awarded = **(d) 6/11**

Total marks awarded = 20 out of 30

Example candidate response – low	Examiner comments

Example candidate response – low

Q2   a, 'Redundancies' means when a **(1)** p worker/employee is no more needed for a task or **(2)** job, because its finished.

ii. 'Joint venture' when another business, or two business combine to start/run together, which are related to each other and start **(3)** business as one. Those are also related to each other, for example a business of tacos and another of shoe

b. i,

ii, As katrina's business is not competitive as unit cost are too high, which means that her business is fast facing diseconomies of scale, because of the labour turnover which is rising can cause an impact on MS's fell in average prices, as the labour turnover increces which indicates that the workers **(4)** are leaving and new workers are required. Bel even if she recruits new employees/workers they might not produce effectively and efficiently

Examiner comments

1 Redundancy does not mean the worker is no longer needed, it means the job/role is no longer needed.

2 This is awarded two marks because the second half shows that the candidate knows what is meant by redundancy.

Mark for (a)(i) = 2/2

3 This really defines a merger, which is different from a joint venture. In a joint venture the businesses do not combine/merge, so this gains no marks.

Mark for (a)(ii) = 0/3

Mark for (b)(i) = 0/3

4 The candidate shows no knowledge of falling prices or revenue. This is an attempt to gain marks by copying parts of the data, which is rarely going to earn marks.

Mark for (b)(ii) = 0/3

Example candidate response – low, continued	Examiner comments
because she will recruit staff by job description and person specification, who only those would apply who will be suitable, well trained and have knowledge, the b of the x job. Which will lead to higher efficiency and less cost average cost per unit.	
c, The disadvantages of labour intensive production process are that the labour intensive p will cost time even and money. The for the induction traing of new recruits, es which the new recruits will be trained to seeing them first with hthm they will work which will cost time, as well onthe job traing which wear workers will be t and off the job traing. This will cost alot of time and money, as on the job training is when new recruits will get trained during working hours will cause time and off the job are training after job time, which will cost money. **5**	**5** The candidate may have some knowledge of labour intensive production but it has not been shown here. This response includes some disadvantages of using labour, but since the link has not been made to labour intensive production, this cannot gain any marks. This is a good example of a response where the examiner cannot read into an answer more than the candidate has actually written. Mark for (c) = 0/8

Example candidate response – low, continued	Examiner comments
d, The sources of finance MS could use if the joint venture proposd is egreed is that both businesses will invest capitel into the business which will remove burden from both businesses, they will divide it and they can invest more more capitel into the business. Which will benefit the business es more capitel can lead to invrease in capitel investments for mechines and workers. If the joint venture proposd **(6)** is invrecsed enother source of finance can be bank loan, es the business will invrees **(7)** its size, the banks with business can gein the trusts of balcs which can provide them with higher amount of loans and lcter badhe businesses ca be able to pay the bank loans **(8)** with interest without burden. These sources will leed to higher capitel investment which will leed to an invrecse in production and suppy becevse of which the business can econ invrecse its revenve and profits. The more effectively & effeicienty the business will produce their quolity will get better **(9)**	**(6)** So far there is nothing that answers the question. This is just repetition of the case study and an explanation of the need for the finance. **(7)** Knowledge of bank loans as a source of finance here. Since this will allow MS to grow because of the joint venture, this is in context and gains 3/4 for knowledge and application. **(8)** Brief and limited analysis that bank loans must be paid back with interest. This gains 1/7 for analysis and evaluation. **(9)** This last section is an analysis of gaining a source of finance, not the source itself. This response gains a total of 4 marks (3/4 for knowledge and application and 1/7 for analysis and evaluation). Mark for (d) = 4/11 **Total marks awarded = 6 out of 30**

How the candidate could have improved their answer

(a)(ii) There was confusion between a merger and a joint venture. The candidate needed to be specific about the term in the question.

(b)(i) The number/calculation questions are rarely difficult and focus on the few numbers in each case study. Leaving this completely blank without making an effort to use the figures given was not sensible.

(b)(ii) The candidate needed to know about falling prices and revenue.

(c) This candidate misread the question and answered about the disadvantages of using labour, rather than the disadvantages of using labour intensive production. Although the arguments are similar, the response must focus on the question set, not the one the candidate thinks has been asked. The candidate needed to read and understand the question.

(d) The candidate spent too long not answering the question. There was one piece of contextual knowledge about a source of finance and only one limited piece of analysis based on this.

Mark awarded = **(a) (i) 2/2, (ii) 0/3**
Mark awarded = **(b) (i) NR/3, (ii) 0/3**
Mark awarded = **(c) 0/8**
Mark awarded = **(d) 4/11**

Total marks awarded = 6 out of 30

Common mistakes candidates made in this question

Too much time was wasted on **(a)(i)**. A definition is a simple, clear thing that can be learned and then repeated in the examination.

Too many candidates went for the easy calculation in **(b)(i)** and missed out the leftover inventory. If a calculation question has two marks, it is likely that there are two stages involved in the calculation.

Failing to provide context in **(b)(ii)**, **(c)** and **(d)**. All of these responses should have focused on the business in the data, not businesses in general.

The answer to **(b)(ii)** is fairly simple when the context is used. Without context, the answer is weaker and a lot harder to identify. The data is there to help and will guide possible answers.

Candidates must be careful not to confuse terms such as 'joint venture', 'merger' and 'partnership'. There may be similarities but they are very different things.

Good analysis must be in context and show all the links in the chain of impact, consequence or reaction. It is not enough just to suggest that something decreases motivation, for example; candidates need to show how this impacts on the business in the case study. Answers too often left the examiner thinking 'so how does this impact on MS?'