



# Cambridge International AS & A Level

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**BUSINESS**

**9609/11**

Paper 1 Short Answer and Essay

**May/June 2022**

**MARK SCHEME**

Maximum Mark: 40

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**Published**

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

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

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

Cambridge International is publishing the mark schemes for the May/June 2022 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

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This document consists of **18** printed pages.

**Generic Marking Principles**

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

**GENERIC MARKING PRINCIPLE 1:**

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

**GENERIC MARKING PRINCIPLE 2:**

Marks awarded are always **whole marks** (not half marks, or other fractions).

**GENERIC MARKING PRINCIPLE 3:**

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

**GENERIC MARKING PRINCIPLE 4:**

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

**GENERIC MARKING PRINCIPLE 5:**

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

**GENERIC MARKING PRINCIPLE 6:**

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

### Social Science-Specific Marking Principles (for point-based marking)

#### 1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

- a** DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
- b** DO credit alternative answers/examples which are not written in the mark scheme if they are correct
- c** DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require  $n$  reasons (e.g. State two reasons ...).
- d** DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
- e** DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
- f** DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
- g** DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

#### 2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

#### 3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

**4 Annotation:**

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

**9609 Paper 1 Specific Marking Principles**

Marks are awarded for each answer when the following Assessment Objectives (AO) are met. The mark scheme for each answer indicates when and how each AO can be met.

***AO1 – Demonstrate knowledge and understanding of business concepts.***

The focus in Section A of the Examination Paper is on this first AO.

- (a) Questions 1, 2, and 4 will meet this AO using definitions and explanations of business concepts.
- (b) Question 3 provides an opportunity for the application and a more developed explanation of a business concept. The 4–5-mark level specifically provides for this more developed explanation.

In Section B of the Examination Paper

- (a) Questions 5, 6, and 7 still require supporting Knowledge and Understanding (AO1), but there is now a focus on **Application (AO2)**, **Analysis (AO3)**, and **Evaluation (AO4)**. These skills are set out below:

***AO2 – Apply knowledge and understanding of business concepts to general and specific situations and contexts.***

- (a) Where a specific business or context is named in the question then the candidate is required to relate answers specifically to this business or context.
- (b) It is not sufficient to merely repeat the name of the business or the context.

***AO3 – Analyse business problems, issues, situations and contexts, through a discussion and interpretation of evidence, debate, theory, impact and consequence, to produce reasoned and coherent arguments.***

- (a) Level 3 answers will likely use terms such as – because, leads to, therefore, so that, as a result, consequently – thereby showing analytical development for AO3.

***AO4 – Limited Evaluation is given***

- (a) When an attempt is made, (probably in a concluding section of an answer), to address and comment on the value and validity of the previous analysis.
- (b) These comments may be quite brief and be more opinionated than reasoned.
- (c) A mere concluding summary of preceding analysis is, however, not evaluation.

***AO4 – Evaluation occurs***

- (a) When an answer comments on the validity/significance of previous analysis in an evidence based and reasoned way.
- (b) This often leads to the presentation of appropriate substantiated judgements, decisions, or recommendations.

**Annotations and their Use**

<b>Annotation</b>	<b>Use</b>
✓	As an indication of relevant and rewardable content. Better to put these in the body of the answer.
NAQ	Used when the answer or parts of the answer are not answering the question asked.
BOD	Used when the benefit of the doubt is given in order to reward a response.
TV	Used when parts of the answer are considered to be too vague.
K	Indicates knowledge and understanding of the concepts and issues relating to the question.
APP	Indicates that there is specific application to the context of the question.
AN	Indicates where the answer has demonstrated analysis.
EVAL	Indicates where the answer has demonstrated evaluation.
REP	This indicates where content has been repeated.
SEEN	Indicates that content has been recognised but not rewarded.

Question	Answer	Marks
1(a)	<p><b>Define the term ‘social enterprise’.</b></p> <p>A business with mainly social objectives (1)          such as environmental or social projects (1)          A business which reinvests profits into the business (1)          A business that reinvests profits to benefit society/community (1)          rather than maximise returns to owners (1)          A business that focuses on triple bottom line or corporate social responsibility (1)          Often described as not-for-profit businesses/organisations (1)          such as charities (1)</p> <p>Clear definition of 2 of the factors listed above 2 marks          Partial definition of 1 of the factors listed above 1 mark          No creditable content 0 marks</p>	2
1(b)	<p><b>Explain <u>two</u> advantages to a business of being a social enterprise.</b></p> <p>Answers could include:</p> <ul style="list-style-type: none"> <li>• A social enterprise might attract more customers just because of its aim of benefitting the community</li> <li>• The business might be seen as more ethical than other businesses which again can increase demand for its product/service</li> <li>• People might be willing to pay a higher price because the business regards people and the planet as more important than profit</li> <li>• Employees might be easier to recruit as people seek to work in social enterprises</li> <li>• Employees might be easier to retain leading to lower labour turnover</li> <li>• Employees are committed and motivated by the values and aspirations of a social enterprise</li> <li>• Government support/grants/subsidies might be available unlike in businesses with purely a profit motive</li> </ul> <p>Accept any other valid response</p> <p>Clear explanation of <b>two</b> advantages to a business of being a social enterprise 3 marks          Clear explanation of <b>one</b> advantage or a partial explanation of <b>two</b> advantages to a business of being a social enterprise 2 marks          Partial explanation of <b>one</b> advantage to a business of being a social enterprise or a list of <b>two</b> advantages 1 mark          No creditable content 0 marks</p>	3

Question	Answer	Marks
2(a)	<p><b>Define the term ‘emotional intelligence’.</b></p> <p>The extent to which managers are aware of and understand their own emotions and feelings (1) and the feelings and emotions of others (1) Reference to Goleman’s 4 competencies (1)</p> <p>Clear definition of 2 of the factors listed above 2 marks Partial definition of 1 of the factors listed above 1 mark No creditable content 0 marks</p>	2
2(b)	<p><b>Explain <u>two</u> benefits to a business of autocratic leadership.</b></p> <p>Answers could include:</p> <ul style="list-style-type: none"> <li>• Employees know clearly that they are expected to follow orders</li> <li>• There is close supervision of employees so fewer mistakes</li> <li>• Quicker decision-making. Less time spent/wasted consulting employees before decisions are made</li> <li>• Productivity may improve due to no time wasted on discussion</li> <li>• Less conflict due to no discussion</li> <li>• Clear communication channel from the owner/leader (clear who gives instructions and who follows them)</li> <li>• Non-participating employees are more focused</li> <li>• More experienced/qualified/skilled leaders take decisions</li> </ul> <p>Accept any other valid response.</p> <p>Clear explanation of <b>two</b> benefits to a business of autocratic leadership. 3 marks Clear explanation of <b>one</b> benefit to a business of autocratic leadership or a partial explanation of <b>two</b> benefits of autocratic leadership. 2 marks Partial explanation of <b>one</b> benefit to a business of autocratic leadership or a list of <b>two</b> benefits 1 mark No creditable content 0 marks</p>	3



Question	Answer	Marks
3	<p><b>Explain how price elasticity of demand influences the pricing decisions of a business.</b></p> <p>Answers could include:</p> <p>Price elasticity of demand measures the response of demand to any change in the price of a product.</p> <ul style="list-style-type: none"> <li>• Behaviour will depend on whether the PED of products is elastic or inelastic</li> <li>• Price elastic – a business wishing to increase market share can reduce price knowing that demand for its products will increase by a greater percentage than the percentage decrease in price. This achieves an increase in total revenue</li> <li>• Price inelastic – if an increase in profit is a business aim, a business might decide to increase the price of its products knowing that the percentage fall in demand will be lower than the percentage increase in price = increase in total revenue.</li> <li>• If a business wants to increase market share, a decrease in price would possibly not be as effective as for a price elastic product – the percentage increase in demand for price elastic products would be smaller than the percentage decrease in price = reduced revenue and only a small increase in demand</li> <li>• PED will influence the establishment by a business of an ideal price for a product in the marketing mix</li> <li>• The way in which PED might influence businesses can depend on the objectives of the business</li> <li>• A business that wishes to maximise its revenue might behave differently to a business that wishes to maximise sales to gain market share</li> </ul> <p>Accept any other valid response.</p> <p>Effective explanation of how the price elasticity of demand influences the pricing decisions of a business 4–5 marks            Limited explanation of how the price elasticity of demand influences the pricing decisions of a business 2–3 marks            Descriptive information of price elasticity of demand/pricing decisions 1 mark            No creditable content 0 marks</p>	5

Question	Answer	Marks
4(a)	<p><b>Define the term ‘Computer Aided Manufacture’ (CAM).</b></p> <p><i>Do not award marks for answers which repeat the words in the question (e.g. manufacturing using computers).</i></p> <p>The use of technology/software/robots/machines (1) to create/produce/manufacture/improve products and/or production process (1)</p> <p>Clear definition 2 of the factors listed above 2 marks Partial definition 1 of the factors listed above 1 mark No creditable content 0 marks</p>	2
4(b)	<p><b>Explain <u>two</u> disadvantages to a business of introducing CAM.</b></p> <p>Answers could include:</p> <ul style="list-style-type: none"> <li>• The cost of the initial software and equipment can be extremely high</li> <li>• High maintenance costs</li> <li>• Likelihood of breakdowns disrupting production</li> <li>• Initial design fault in CAM could lead to waste in the manufacturing process</li> <li>• The wage costs of highly skilled employees are likely to be higher than those previously employed therefore increasing the labour costs</li> <li>• The systems often require highly skilled workers who require training</li> <li>• The hiring of highly skilled employees can be difficult if the specific technology is very new to an industry</li> <li>• The current workforce might not possess the necessary skills causing them to be made redundant leading to redundancy payments</li> <li>• An increase in the use of computers and robots might cause an increase in local unemployment leading to negative feelings toward the business</li> </ul> <p>Accept any other valid response.</p> <p>Clear explanation of <b>two</b> disadvantages to a business of introducing CAM 3 marks Clear explanation of <b>one</b> disadvantage to a business of introducing CAM or a partial explanation of <b>two</b> disadvantages 2 marks Partial explanation of <b>one</b> disadvantage to a business of introducing CAM or a list of <b>two</b> disadvantages 1 mark No creditable content 0 marks</p>	3

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5(a)	<p><b>Analyse the benefits to a business of focusing on the 4Cs when planning to increase its market share.</b></p> <table border="1"> <thead> <tr> <th>Level</th><th>Description</th><th>Marks</th></tr> </thead> <tbody> <tr> <td>4</td><td>Good analysis of the benefits to a business of focusing on the 4Cs when planning to increase its market share</td><td>7–8</td></tr> <tr> <td>3</td><td>Limited analysis of the benefits to a business of focusing on the 4Cs when planning to increase its market share</td><td>5–6</td></tr> <tr> <td>2</td><td>Application of the benefits to a business of focusing on the 4Cs</td><td>3–4</td></tr> <tr> <td>1</td><td>Knowledge and understanding of the 4Cs/market share</td><td>1–2</td></tr> <tr> <td>0</td><td>No creditable content</td><td>0</td></tr> </tbody> </table> <p>Answers could include:</p> <p><b>Knowledge and understanding 2 marks</b></p> <ul style="list-style-type: none"> <li>Understanding that the 4Cs are cost to customer; convenience to customer; communication with customer and customer solution</li> <li>Understanding of market share</li> </ul> <p><b>Application 2 marks</b></p> <ul style="list-style-type: none"> <li>Reference to any business situation which requires an understanding of customer needs/wants.</li> <li>Reference to understanding what customers are willing to pay for</li> </ul> <p><b>Analysis 4 marks</b></p> <ul style="list-style-type: none"> <li>Businesses gain information/feedback from customers that can lead to improvements in what is offered in future. It is vital that a business understands what its customers expect from the products it sells. Businesses succeed when they offer what the customer wants to buy rather than what the business prefers to sell</li> <li>Costs can be reduced by buying items to sell that meet the demanded of customers. Losses on unsold products can be avoided</li> <li>Greater loyalty can be gained from customers if they feel that a business listens to them and their views. Communication with customers is essential if a perceived relationship between the customer and a business is to be achieved</li> <li>Communication with customers is even more essential if a retail business specialises in selling expensive or bespoke goods</li> <li>Easier for customers to obtain the goods if, for example, they are sold online / in convenience stores</li> <li>Understanding its customers can enable a suitable price to be set ensuring that it is seen as appropriate to the products sold and to the income level of known customers</li> </ul> <p>Accept any other valid response.</p>	Level	Description	Marks	4	Good analysis of the benefits to a business of focusing on the 4Cs when planning to increase its market share	7–8	3	Limited analysis of the benefits to a business of focusing on the 4Cs when planning to increase its market share	5–6	2	Application of the benefits to a business of focusing on the 4Cs	3–4	1	Knowledge and understanding of the 4Cs/market share	1–2	0	No creditable content	0	8
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5(b)	<p><b>Discuss the usefulness of secondary market research to a business planning to launch a new luxury perfume.</b></p> <table border="1"> <thead> <tr> <th>Level</th><th>Description</th><th>Marks</th></tr> </thead> <tbody> <tr> <td>4</td><td>Effective evaluation of the usefulness of secondary market research to a business planning to launch a new luxury perfume</td><td>9–12</td></tr> <tr> <td>3</td><td>Limited evaluation of the usefulness of secondary market research to a business planning to launch a new luxury perfume</td><td>7–8</td></tr> <tr> <td>2</td><td>Analysis and application of the usefulness of secondary market research to a business</td><td>3–6</td></tr> <tr> <td>1</td><td>Knowledge and understanding of secondary market research/product launch/luxury perfume</td><td>1–2</td></tr> <tr> <td>0</td><td>No creditable content</td><td>0</td></tr> </tbody> </table> <p>Answers could include:</p> <p><b>Knowledge and understanding 2 marks</b></p> <ul style="list-style-type: none"> <li>• Understanding of secondary market research</li> <li>• Understanding of product launch</li> <li>• Understanding of luxury perfume</li> </ul> <p><b>Application 2 marks</b></p> <ul style="list-style-type: none"> <li>• Reference to stages of product launch</li> <li>• Reference to brand names / image in the perfume market</li> </ul> <p><b>Analysis 2 marks</b></p> <ul style="list-style-type: none"> <li>• The collected data might not be directly relevant to perfume or specifically to the type of perfume being offered by this business</li> <li>• The data has, by definition, been collected for another purpose and might not be relevant to this business proposal</li> <li>• The business needs to know how old the market research information is</li> <li>• The business might not be planning to offer the same type of perfume to its new market or wishes to discover the needs/wants/preferences of its new market, in which case secondary market research is likely to be of little use.</li> </ul>	Level	Description	Marks	4	Effective evaluation of the usefulness of secondary market research to a business planning to launch a new luxury perfume	9–12	3	Limited evaluation of the usefulness of secondary market research to a business planning to launch a new luxury perfume	7–8	2	Analysis and application of the usefulness of secondary market research to a business	3–6	1	Knowledge and understanding of secondary market research/product launch/luxury perfume	1–2	0	No creditable content	0	12
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5(b)	<p><b>Evaluation 6 marks</b></p> <p>Any judgements/conclusions can be made at any point in the essay not just in a concluding section.</p> <p>A judgement may be made using arguments such as:</p> <ul style="list-style-type: none"> <li>• The type of market research used might be dictated by how much finance the business has available to spend</li> <li>• How much research is needed to establish how different this luxury perfume is to others on the market</li> <li>• If this business is aiming at a specific luxury market segment, then existing secondary research might be less relevant</li> <li>• Not all businesses lack finance therefore this business might not be constrained by finance and might decide that secondary market research lacks direct relevance to this proposed launch so more expensive primary research may be used</li> <li>• However, existing information can still help to focus further research thereby saving time and allowing primary research to be much more focused and therefore more useful</li> <li>• This business may need to turn to primary research and/or combine secondary and primary research</li> </ul> <p>Accept any other valid response.</p>	

Question	Answer	Marks																					
6	<p><b>‘Non-financial motivators are the most effective way of improving employee motivation in a house building business.’</b></p> <p><b>Discuss the extent to which you agree with this view.</b></p> <table border="1"> <thead> <tr> <th>Level</th><th>Description</th><th>Marks</th></tr> </thead> <tbody> <tr> <td>5</td><td>Effective evaluation of the extent to which non-financial motivators are the most effective way of improving employee motivation in a house building business</td><td>17–20</td></tr> <tr> <td>4</td><td>Limited evaluation of the extent to which non-financial motivators are the most effective way of improving employee motivation in a house building business</td><td>15–16</td></tr> <tr> <td>3</td><td>Good analysis of the extent to which non-financial/financial motivators are the most effective way of improving employee motivation in a house building business</td><td>11–14</td></tr> <tr> <td>2</td><td>Limited analysis of non-financial/financial motivators as a way of improving employee motivation</td><td>5–10</td></tr> <tr> <td>1</td><td>Knowledge and understanding of non-financial/financial motivators/employee motivation.</td><td>1–4</td></tr> <tr> <td>0</td><td>No creditable content</td><td>0</td></tr> </tbody> </table> <p>Answers could include:</p> <p><b>Knowledge and understanding 4 marks</b></p> <ul style="list-style-type: none"> <li>• Understanding of non-financial motivators</li> <li>• Understanding of financial motivators</li> <li>• Understanding of employee motivation</li> </ul> <p><b>Application 4 marks</b></p> <ul style="list-style-type: none"> <li>• Reference to changes in employee motivation resulting from non-financial/financial measures</li> <li>• Clear link between a non-financial/financial motivator and its possible effect</li> <li>• Reference to examples of employee roles that might be undertaken in a house building business</li> </ul>	Level	Description	Marks	5	Effective evaluation of the extent to which non-financial motivators are the most effective way of improving employee motivation in a house building business	17–20	4	Limited evaluation of the extent to which non-financial motivators are the most effective way of improving employee motivation in a house building business	15–16	3	Good analysis of the extent to which non-financial/financial motivators are the most effective way of improving employee motivation in a house building business	11–14	2	Limited analysis of non-financial/financial motivators as a way of improving employee motivation	5–10	1	Knowledge and understanding of non-financial/financial motivators/employee motivation.	1–4	0	No creditable content	0	20
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6	<p><b>Analysis 6 marks</b></p> <p>Candidates might use specific examples of non-financial/financial motivators and make the link to how they might improve the performance of employees</p> <ul style="list-style-type: none"> <li>• Team working can meet the social needs of employees (Maslow) and lead to higher productivity</li> <li>• Empowerment can satisfy the need for recognition and the need to be valued in an organisation. This recognition that the employee is trusted and given some decision-making power or control over the work to be completed can raise the motivation level of employees and cause them to work even harder.</li> <li>• Target setting: meeting or exceeding targets gives employees a feeling of job satisfaction and achievement. However, this method is often linked to bonus payments</li> <li>• Job rotation helps to reduce boredom if the tasks are not complicated and are very repetitive. Bored workers may lack motivation and can have a negative impact on the morale of other employees.</li> <li>• Bonus payments for meeting deadlines</li> <li>• High wages for skilled employees (Taylor – economic man)</li> </ul> <p><b>Evaluation 6 marks</b></p> <p>Any judgements/conclusions can be made at any point in the essay not just in a concluding section.</p> <p>A judgement may be made using the following arguments:</p> <ul style="list-style-type: none"> <li>• Not all employees will be motivated by the same approach/method</li> <li>• Non-financial motivators are more likely to be successful when the employees are earning at least enough money to satisfy their basic needs</li> <li>• Lower paid construction workers are more likely to look for financial incentives to motivate them</li> <li>• Higher paid construction managers may want to fulfil their esteem needs / seek recognition / empowerment from their employer</li> <li>• Whether or not non-financial motivators are the most effective can depend on the level of security felt by employees. Employees on short-term contracts might be more focussed on financial reward</li> </ul> <p>Accept any other valid response.</p>	

Question	Answer	Marks																		
7(a)	<p><b>Analyse the benefits to a business of using break-even analysis.</b></p> <table border="1"> <thead> <tr> <th>Level</th><th>Description</th><th>Marks</th></tr> </thead> <tbody> <tr> <td>4</td><td>Good analysis of the benefits to a business of using break-even analysis</td><td>7–8</td></tr> <tr> <td>3</td><td>Limited analysis of the benefits to a business of using break-even analysis</td><td>5–6</td></tr> <tr> <td>2</td><td>Application of the benefits of using break-even analysis</td><td>3–4</td></tr> <tr> <td>1</td><td>Knowledge and understanding of break-even analysis</td><td>1–2</td></tr> <tr> <td>0</td><td>No creditable content</td><td>0</td></tr> </tbody> </table> <p>Answers could include:</p> <p><b>Knowledge and understanding 2 marks</b></p> <ul style="list-style-type: none"> <li>Understanding of the concept of break-even analysis and how it is used</li> </ul> <p><b>Application 2 marks</b></p> <ul style="list-style-type: none"> <li>The use of break-even analysis in a business context.</li> </ul> <p><b>Analysis 4 marks</b></p> <ul style="list-style-type: none"> <li>Break-even analysis is thought to be easy to calculate and understand. However, figures are based on what is known to have happened in the past and what can reasonably be expected to happen in the future which is not always accurate</li> <li>A break-even chart indicates the margin of safety. If the margin of safety is too low a business might reconsider its product(s)</li> <li>Analysis of the break-even level of output and the link to total variable and fixed costs and total revenues</li> <li>The level of output for a desired level of profit can be determined</li> <li>Break-even analysis can give a business an idea of whether or not the product is likely to be successful by analysing the costs involved and likely revenues</li> <li>A business might see that if a certain level of profit is to be achieved, costs might have to be reduced to make it possible</li> <li>A change in price might also be indicated. If the desired profit is not achieved, then the price of the product might have to be increased</li> <li>Break-even analysis can be used in business plans to support loan applications</li> <li>Assists decision-making e.g. location, inventory, suppliers, employees (any choice of resources which affect costs)</li> </ul> <p>Accept any other valid response.</p>	Level	Description	Marks	4	Good analysis of the benefits to a business of using break-even analysis	7–8	3	Limited analysis of the benefits to a business of using break-even analysis	5–6	2	Application of the benefits of using break-even analysis	3–4	1	Knowledge and understanding of break-even analysis	1–2	0	No creditable content	0	8
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7(b)	<p><b>Discuss the most appropriate source of finance for a private limited company to purchase an additional factory.</b></p> <table border="1"> <thead> <tr> <th>Level</th><th>Description</th><th>Marks</th></tr> </thead> <tbody> <tr> <td>4</td><td>Effective evaluation of the most appropriate source of finance for a private limited company to purchase an additional factory</td><td>9–12</td></tr> <tr> <td>3</td><td>Limited evaluation of the most appropriate source of finance for a private limited company to purchase an additional factory</td><td>7–8</td></tr> <tr> <td>2</td><td>Analysis and application of the sources of finance available to a private limited company to purchase an additional factory</td><td>3–6</td></tr> <tr> <td>1</td><td>Knowledge and understanding of sources of finance/private limited company/factory</td><td>1–2</td></tr> <tr> <td>0</td><td>No creditable content</td><td>0</td></tr> </tbody> </table> <p>Answers could include:</p> <p><b>Knowledge and understanding 2 marks</b></p> <ul style="list-style-type: none"> <li>• Understanding of sources of finance</li> <li>• Understanding of private limited company</li> <li>• Understanding of factory</li> </ul> <p><b>Application 2 marks</b></p> <ul style="list-style-type: none"> <li>• Sources of finance relevant to a private limited company</li> <li>• Sources of finance relevant to the purchase of an additional factory</li> </ul> <p><b>Analysis 2 marks</b></p> <p>Non-relevant sources of finance might be discussed but these can only be credited if the candidate explains why they are not appropriate for this type of business.</p> <ul style="list-style-type: none"> <li>• Bank loan: long term loans can be used given that the purchase of a factory usually requires large amounts of finance and the money is repaid over a longer period.</li> <li>• A short-term loan is unlikely to be used but could be justified in certain circumstances</li> <li>• Mortgage: the usual source of finance for the purchase of a factory (building), given the size of the finance required and the long repayment period</li> <li>• Issue additional shares to existing shareholders</li> <li>• Invite additional shareholders to join the company to raise the additional finance required</li> </ul>	Level	Description	Marks	4	Effective evaluation of the most appropriate source of finance for a private limited company to purchase an additional factory	9–12	3	Limited evaluation of the most appropriate source of finance for a private limited company to purchase an additional factory	7–8	2	Analysis and application of the sources of finance available to a private limited company to purchase an additional factory	3–6	1	Knowledge and understanding of sources of finance/private limited company/factory	1–2	0	No creditable content	0	12
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7(b)	<ul style="list-style-type: none"> <li>• Conversion to a public limited company: this takes a considerable amount of time and money to implement</li> <li>• Government grants: for business expansion for example, especially if this might increase employment levels in areas of high unemployment. Grants are not repaid so do not have any interest charged</li> <li>• Government loans: offered at lower rates of interest than private lenders (banks) which reduces the amount of repayment required by businesses</li> <li>• Business angels / venture capital: investors might be willing to lend money to this business</li> <li>• Crowdfunding from multiple online contributions/investments</li> </ul> <p>Accept any other valid sources of finance.</p> <p><b>Evaluation 6 marks</b></p> <p>Any judgements/conclusions can be made at any point in the essay not just in a concluding section.</p> <p>The following arguments may be used to justify/reject certain sources:</p> <ul style="list-style-type: none"> <li>• The source might be heavily dependent on the actual amount required. Is the factory large or small? Do they need the money quickly?</li> <li>• How important is it to retain the current ownership situation? Conversion to a plc, business angels / venture capital or increasing the number of shareholders all lead to dilution of the current ownership</li> <li>• It may depend on the resources the business currently has</li> <li>• It may depend on how stable the economy is at the time</li> <li>• The choice of source of finance might depend on the number of loans already taken by the business. High loan repayments, or non-payment in the past, might prevent consideration of a further loan by a bank</li> <li>• Many sources involve interest payments and the amount of this could be an issue – is the rate variable? Are interest rates rising or falling? How affordable is the interest payment?</li> </ul> <p>Support might be given for mainly one specific source of finance rather than a range, however comparisons must be made to the appropriateness of that one source compared to the other sources.</p> <p>Accept any other valid response.</p>	