

# Cambridge International AS & A Level

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**BUSINESS**

**9609/31**

Paper 3 Case Study

**October/November 2024**

MARK SCHEME

Maximum Mark: 100

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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 October/November 2024 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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This document consists of **27** printed pages.

**PUBLISHED****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 descriptions 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.

**PUBLISHED****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.

**PUBLISHED****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).

**PUBLISHED****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.

**Guidance on using levels-based marking**

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The examiner should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:

- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range.
- If the candidate's work **just** meets the level statement, award the lowest mark.
- L1, L2 etc. must be clearly annotated on the response at the point where the level is achieved.

**Assessment objectives****AO1 Knowledge and understanding**

Demonstrate knowledge and understanding of business concepts, terms and theories.

**AO2 Application**

Apply knowledge and understanding of business concepts, terms and theories to problems and issues in a variety of familiar and unfamiliar business situations and contexts.

**AO3 Analysis**

Analyse business problems, issues and situations by:

- using appropriate methods and techniques to make sense of qualitative and quantitative business information
- searching for causes, impact and consequences
- distinguishing between factual evidence and opinion or value judgement
- drawing valid inferences and making valid generalisations.

**AO4 Evaluation**

Evaluate evidence in order to make reasoned judgements, present substantiated conclusions and, where appropriate, make recommendations for action and implementation.

Question	Answer			Marks
1	<b>Analyse <u>two</u> benefits to TC of marketing planning for the new range of chocolate bars.</b>			8
Level	<b>AO1 Knowledge and understanding 2 marks</b>	<b>AO2 Application 2 marks</b>	<b>AO3 Analysis 4 marks</b>	
2			<b>3–4 marks Developed analysis</b> <ul style="list-style-type: none"> <li>• Developed analysis that identifies connections between causes, impacts and/or consequences of <b>two</b> points.</li> <li>• Developed analysis that identifies connections between causes, impacts and/or consequences of <b>one</b> point.</li> </ul>	
1	<b>1–2 marks</b> <ul style="list-style-type: none"> <li>• Knowledge of <b>two</b> relevant points is used to answer the question.</li> <li>• Knowledge of <b>one</b> relevant point is used to answer the question.</li> </ul>	<b>1–2 marks</b> <ul style="list-style-type: none"> <li>• Application of <b>two</b> relevant points to a business context.</li> <li>• Application of <b>one</b> relevant point to a business context.</li> </ul>	<b>1–2 marks Limited analysis</b> <ul style="list-style-type: none"> <li>• Limited analysis that identifies connections between causes, impacts and/or consequences of <b>two</b> points.</li> <li>• Limited analysis that identifies connections between causes, impacts and/or consequences of <b>one</b> point.</li> </ul>	
0	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	
<p>All annotation ( <b>LK</b> <b>APP</b> <b>AN</b> <b>L2</b> ) should be in the left margin.</p> <p><b>Note:</b></p> <ul style="list-style-type: none"> <li>• Only reward benefits.</li> <li>• If more than two benefits are referred to, reward the best two.</li> <li>• Benefits must apply to TC.</li> </ul>				

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Question	Answer	Marks
1	<p><b>Indicative content</b></p> <p>Responses may include:</p> <p><b>AO1 Knowledge and understanding</b></p> <ul style="list-style-type: none"> <li>• Definition or explanation of marketing plan and its components: objectives, resources, research, marketing mix. (max K1)</li> </ul> <p>Possible benefits include:</p> <ul style="list-style-type: none"> <li>• Ensuring marketing activities are aimed at achieving corporate objectives.</li> <li>• The setting of achievable goals.</li> <li>• Making efficient use of resources.</li> <li>• Market research to ensure that there is a market for the product.</li> <li>• Achieving a coordinated marketing mix.</li> <li>• Marketing is rational and integrated with other functions.</li> </ul> <p><b>AO2 Application</b></p> <p><i>Maximum one <span style="border: 1px solid red; padding: 0 2px;">APP</span> for application for the first benefit and maximum one <span style="border: 1px solid red; padding: 0 2px;">APP</span> for application for the second benefit.</i></p> <ul style="list-style-type: none"> <li>• TC currently manufactures and distributes high value premium boxed chocolates.</li> <li>• Significant competitive pressures over the next two years.</li> <li>• New chocolate bars are cheaper to produce and target market is supermarkets to sell as their own brand products.</li> <li>• New range is part of integrated approach to improve efficiency.</li> </ul>	

Question	Answer	Marks
1	<p><b>AO3 Analysis</b></p> <p><i>Limited analysis</i> <b>AN</b> – candidate shows one link in the chain of analysis.  <i>Developed analysis</i> <b>L2 AN</b> – candidate shows two or more links in the chain of analysis.</p> <ul style="list-style-type: none"> <li>• TC is considering several changes, and a marketing plan would help ensure that marketing is coordinated with other changes so that TC’s reputation is maintained <b>AN</b>.</li> <li>• Market research will help TC understand the needs of supermarkets so that the price of the chocolate bar is competitive <b>AN</b> resulting in higher sales to supermarkets <b>L2 AN</b>.</li> <li>• Setting achievable goals will make it more likely that the launch is a success <b>AN</b>.</li> <li>• A plan can identify the most efficient ways of achieving objectives hence minimising waste <b>AN</b> and therefore increasing profit <b>L2 AN</b>.</li> <li>• The plan contains monitoring and evaluation so TC will be better prepared for market environment changes <b>AN</b></li> </ul> <p>Accept all valid responses.</p>	

Question	Answer			Marks	
2	<b>Analyse <u>two</u> benefits to TC of investing in artificial intelligence (AI) for human resource management (HRM).</b>			8	
	<b>Level</b>	<b>AO1 Knowledge and understanding 2 marks</b>	<b>AO2 Application 2 marks</b>		<b>AO3 Analysis 4 marks</b>
	2				<b>3–4 marks Developed analysis</b> <ul style="list-style-type: none"> <li>• Developed analysis that identifies connections between causes, impacts and/or consequences of <b>two</b> points.</li> <li>• Developed analysis that identifies connections between causes, impacts and/or consequences of <b>one</b> point.</li> </ul>
	1	<b>1–2 marks</b> <ul style="list-style-type: none"> <li>• Knowledge of <b>two</b> relevant points is used to answer the question.</li> <li>• Knowledge of <b>one</b> relevant point is used to answer the question.</li> </ul>	<b>1–2 marks</b> <ul style="list-style-type: none"> <li>• Application of <b>two</b> relevant points to a business context.</li> <li>• Application of <b>one</b> relevant point to a business context.</li> </ul>		<b>1–2 marks Limited analysis</b> <ul style="list-style-type: none"> <li>• Limited analysis that identifies connections between causes, impacts and/or consequences of <b>two</b> points.</li> <li>• Limited analysis that identifies connections between causes, impacts and/or consequences of <b>one</b> point.</li> </ul>
	0	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.		<b>0 marks</b> No creditable response.
<p>All annotation (<b>LK</b> <b>APP</b> <b>AN</b> <b>L2</b>) should be in the left margin.</p> <p><b>Note:</b></p> <ul style="list-style-type: none"> <li>• Only reward benefits.</li> <li>• If more than two benefits are referred to, reward the best two.</li> <li>• Benefits must apply to TC.</li> </ul>					

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Question	Answer	Marks
2	<p><b>Indicative content</b></p> <p>Responses may include:</p> <p><b>AO1 Knowledge and understanding</b></p> <ul style="list-style-type: none"> <li>• Definition or explanation of AI: ability of a computer or robot to perform tasks normally associated with human intelligence. (max K1)</li> </ul> <p>Benefits may include:</p> <ul style="list-style-type: none"> <li>• IT enables large data storing and analytical capacity and AI takes decisions about handling data and information.</li> <li>• Can automate repetitive business processes.</li> <li>• Analysis of large datasets for specific reasons such as recruitment.</li> <li>• Reduce HRM costs.</li> </ul> <p><b>AO2 Application</b></p> <p>Max one <b>APP</b> for application for the first benefit and max one <b>APP</b> for application for the second benefit.</p> <ul style="list-style-type: none"> <li>• Jobs at TC involve the manufacture and distribution of high value premium boxed chocolates.</li> <li>• Finance is available for HR development such as new employee screening and selection.</li> <li>• Tembo has researched the initial costs and training costs.</li> <li>• HR Manager has identified specific functions that AI would improve – employee selection and induction.</li> </ul>	

Question	Answer	Marks
2	<p><b>AO3 Analysis</b></p> <p><i>Limited analysis</i> <b>AN</b> – candidate shows one link in the chain of analysis.  <i>Developed analysis</i> <b>L2AN</b> – candidate shows two or more links in the chain of analysis.</p> <ul style="list-style-type: none"> <li>• AI can identify, contact and interview candidates for jobs so saving money and time <b>AN</b>.</li> <li>• Candidate screening is faster and more specific to criteria so selection of best candidates is improved <b>AN</b>. This supports the premium branding of TC <b>L2AN</b>.</li> <li>• Chatbots can answer questions from employees about TC’s procedures and policies so saving staff wages <b>AN</b>.</li> <li>• AI can carry out annual reviews quickly and in a standardised way so saving staff time <b>AN</b>.</li> <li>• Feedback on tasks, such as employee induction training, can be in real time (immediate) so enhances quality assurance <b>AN</b> and thus reduces employees errors and wastage <b>L2AN</b>.</li> <li>• Training needs can be easily and quickly identified and communicated, saving costs and improving quality <b>AN</b>.</li> <li>• HR managers can see HR problems in real time and solve them more quickly <b>AN</b>.</li> </ul> <p>Accept all valid responses.</p>	

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Question	Answer	Marks
3(a)	<p><b>Refer to Table 1.1. Calculate the acid test ratio.</b></p> <p>Responses may include:</p> <p>Formula/definition: <math>ATR = \frac{\text{Current assets} - \text{inventory}}{\text{Current liabilities}}</math>  OR  <math>ATR = \frac{\text{Liquid assets}}{\text{current liabilities}}</math> (1 mark for formula if no correct calculation)</p> <p><math>\text{Current assets} - \text{inventory} = \text{trade receivables} + \text{cash} = 1.4 + 0.6 = 2</math>  OR  <math>\frac{2}{3}</math>  OR  0.67 (1 mark)</p> <p>= 0.67:1 OR 2:3 (2 marks)</p>	<b>2</b>
3(b)	<p><b>Refer to Table 1.1. Calculate the trade receivables turnover (days)</b></p> <p><b>Indicative content</b></p> <p>Responses may include:</p> <p><math>\frac{\text{Trade receivables}}{\text{credit sales}} \times 365 \text{ days}</math> (1 mark for formula if no correct calculation)</p> <p>OR  <math>1.4/5 \times 365</math> (1)</p> <p>= 102.2 days OR 103 days OR 102.2 OR 103 (2)</p> <p>Allow 102 (2)</p>	<b>2</b>

Question	Answer				Marks	
3(c)	<b>Evaluate methods TC could use to improve liquidity.</b>				<b>12</b>	
	Level	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 2 marks		AO4 Evaluation 6 marks
	3					<b>5–6 marks</b> <b>Developed evaluation in context</b> <ul style="list-style-type: none"> <li>• A developed judgement/conclusion is made in the business context.</li> <li>• Developed evaluative comments which balance some key arguments in the business context.</li> </ul>
	2	<b>2 marks</b> <b>Developed knowledge</b> of relevant key term(s) and/or factor(s) is used to answer the question.	<b>2 marks</b> <b>Developed application</b> of relevant point(s) to the business context.	<b>2 marks</b> <b>Developed analysis</b> that identifies connections between causes, impacts and/or consequences.		<b>3–4 marks</b> <b>Developed evaluation</b> <ul style="list-style-type: none"> <li>• A developed judgement/conclusion is made.</li> <li>• Developed evaluative comments which balance some key arguments.</li> </ul>
	1	<b>1 mark</b> <b>Limited knowledge</b> of relevant key term(s) and/or factor(s) is used to answer the question.	<b>1 mark</b> <b>Limited application</b> of relevant point(s) to the business context.	<b>1 mark</b> <b>Limited analysis</b> that identifies connections between causes, impacts and/or consequences.		<b>1–2 marks</b> <b>Limited evaluation</b> <ul style="list-style-type: none"> <li>• A judgement/conclusion is made with limited supporting comment/evidence.</li> <li>• An attempt is made to balance the arguments.</li> </ul>
0	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.		

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Question	Answer	Marks
3(c)	<p>All annotation ( <b>K</b> <b>APP</b> <b>AN</b> <b>L2</b> <b>EVAL</b> <b>L2</b> <b>EVAL</b> <b>L3</b> <b>EVAL</b> ) should be in the left margin.</p> <p><b>Indicative content</b></p> <p>Responses may include:</p> <p><b>AO1 Knowledge and understanding</b></p> <ul style="list-style-type: none"> <li>• Definition of liquidity: Liquidity is the ability to convert assets into cash quickly and efficiently. It can also refer to the availability of cash to pay bills and other short-term obligations.</li> <li>• Measurement of liquidity by ratios including the current ratio and acid test ratio. High gearing can also impact liquidity.</li> <li>• Link to cash flow – faster cash flow may equate to greater liquidity.</li> <li>• Methods of improving liquidity: <ul style="list-style-type: none"> <li>Decrease overhead costs.</li> <li>Sell unused or unproductive assets</li> <li>Monitor accounts and obtain prompter payments from customers.</li> <li>Negotiate longer payment terms with suppliers.</li> <li>Monitor and reduce dividends payment to owners.</li> <li>Monitor cash to maximise cash held in interest-bearing accounts.</li> <li>Increase borrowing e.g. bank loan</li> </ul> </li> </ul> <p><b>AO2 Application</b></p> <p>Limited application, <b>APP</b> applies knowledge to TC once.</p> <p>Developed application, <b>APP</b> + <b>APP</b> applies knowledge to TC twice</p> <ul style="list-style-type: none"> <li>• TC manufacture premium quality boxed chocolates, so assets include stocks of cocoa and other ingredients</li> <li>• High prices are charged for the luxury chocolate.</li> <li>• Cash flow is a possible problem, as many sales are on credit.</li> <li>• Rate of interest in Country R is high.</li> <li>• Reference to contents of Table 1 and impact on liquidity e.g. <ul style="list-style-type: none"> <li>83% of sales are on credit</li> <li>Dividends paid of \$750 000 will reduce liquidity</li> <li>Reducing inventory of \$1m will improve liquidity</li> </ul> </li> <li>• Calculation of current ratio = <math>\frac{3}{3} = 1:1</math></li> </ul>	

Question	Answer	Marks
3(c)	<ul style="list-style-type: none"> <li>• Calculation of efficiency ratios: Trade Receivables turnover = <math>1.4/5 \times 365 = 103</math> days Inventory turnover = <math>3/1 = 3</math> times (or 122 days)</li> </ul> <p><b>AO3 Analysis</b>  <i>Limited analysis</i> <span style="border: 1px solid red; padding: 0 2px;">AN</span> – candidate shows one link in the chain of analysis.  <i>Developed analysis</i> <span style="border: 1px solid red; padding: 0 2px;">L2 AN</span> – candidate shows two or more links in the chain of analysis.</p> <ul style="list-style-type: none"> <li>• Decrease overhead costs may result in reduced cash outflows on administration and services <span style="border: 1px solid red; padding: 0 2px;">AN</span></li> <li>• Assets such as unused land that don't generate revenue to be sold to generate cash <span style="border: 1px solid red; padding: 0 2px;">AN</span> and therefore increase liquid assets and therefore improving liquidity <span style="border: 1px solid red; padding: 0 2px;">L2 AN</span>.</li> <li>• Monitor accounts and obtain prompter payments from customers to speed-up cash inflows and increase liquid assets <span style="border: 1px solid red; padding: 0 2px;">AN</span>.</li> <li>• Negotiate longer payment terms with suppliers to enable more money retained in the business for longer <span style="border: 1px solid red; padding: 0 2px;">AN</span>.</li> <li>• Monitor and reduce dividends to owners to enable more money retained in business <span style="border: 1px solid red; padding: 0 2px;">AN</span>.</li> <li>• Monitor current account and move money into savings account as far as is practicable to gain interest therefore increasing liquid assets <span style="border: 1px solid red; padding: 0 2px;">AN</span>.</li> <li>• Increase cash sales to increase cash inflows and improve ATR <span style="border: 1px solid red; padding: 0 2px;">AN</span></li> <li>• Reduce sales on credit to retailers so that cash is received more quickly <span style="border: 1px solid red; padding: 0 2px;">AN</span> increasing cash holdings and therefore improving liquidity. <span style="border: 1px solid red; padding: 0 2px;">L2 AN</span></li> <li>• Inventory turnover is low and could be improved by using JIT, this would delay having to pay for raw materials such as cocoa <span style="border: 1px solid red; padding: 0 2px;">AN</span> enabling TC to hold on to more cash and improve liquidity <span style="border: 1px solid red; padding: 0 2px;">L2 AN</span>.</li> </ul> <p><b>AO4 Evaluation</b>  <i>Limited evaluation</i> <span style="border: 1px solid red; padding: 0 2px;">EVAL</span> – limited supported judgement and/or a weak attempt at evaluative comment.  <i>Developed evaluation</i> <span style="border: 1px solid red; padding: 0 2px;">L2 EVAL</span> – supported judgement and/or reasonable evaluative comment.  <i>Developed evaluation in context</i> <span style="border: 1px solid red; padding: 0 2px;">L3 EVAL</span> – supported judgement in context and/or reasonable evaluative comment in context.</p> <ul style="list-style-type: none"> <li>• Recommendation and/or assessment of appropriate methods, based on analysis of the relative merits of different approaches.</li> <li>• Need for more information on any unused non-current assets and overhead costs</li> </ul>	

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Question	Answer	Marks
3(c)	<ul style="list-style-type: none"> <li>• Changing accounts receivable or payable might be difficult as retailers will expect trade credit and suppliers will not want to be paid late. Much will depend on buyer and supplier power in the market.</li> <li>• Need information of cost of any actions undertaken such as changing to JIT.</li> </ul> <p><b>Exemplar evaluation and levels</b></p> <p>L1 Limited evaluation</p> <p>In conclusion, if TC can cut down on inventory of ingredients and finished chocolates, this will be the best way to improve TC's ATR and liquidity.</p> <p>Comment: Although some context, this is a limited evaluative comment, so L1</p> <p>L2 Developed evaluation</p> <p>Improving liquidity may best be achieved by asking customers to pay more promptly to increase cash inflows or delaying payment to suppliers to decrease cash outflows and therefore increasing cash held in the business. However, this may lead to loss of customers and worsen relationships with suppliers.</p> <p>Comment: EVAL is sufficiently developed, but could apply to any business as there is no context, so limit to L2.</p> <p>L3 Developed evaluation in context.</p> <p>In conclusion, as most of TC's sales of high quality chocolates are made on credit to 'luxury' retailers, improving liquidity may best be achieved by asking retailers to pay more promptly or delaying payment to cocoa and other ingredient suppliers. However, this may lead to loss of retail business customers and worsen relationships with ingredient suppliers, such as cocoa processors.</p> <p>Accept all valid responses.</p>	

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Question	Answer	Marks
4(a)	<p>Using <b>Refer to Fig 1.1. Calculate the expected monetary value (EMV) for the new factory in country M (option B)</b></p> <p>EMV is value in money terms of a possible outcome, taking account of forecast returns and their probability. (1 mark if no correct calculation)</p> <p>New factory: Optimistic forecast <math>\\$9.0\text{m} \times 0.7 = \\$6.3\text{m}</math> Accept 6.3  OR  Pessimistic forecast <math>\\$6\text{m} \times 0.3 = \\$1.8\text{m}</math> (1mark) Accept 1.8</p> <p>Combined estimates = <math>\\$8.1\text{m}</math> (2marks) Accept 8.1</p> <p>EMV = <math>\\$8.1\text{m} - \\$5.5\text{m}</math> (3marks) Accept 8.1 – 5.5</p> <p>= <math>\\$2.6\text{m}</math> (4marks)  For final answer if no \$ or millions then 3 marks e.g. 2.6 (3marks)</p> <p>OFR</p>	4

Question	Answer				Marks
4(b)	<b>Evaluate whether TC should build the new factory in country M (option B).</b>				<b>12</b>
	<b>Level</b>	<b>AO1 Knowledge and understanding 2 marks</b>	<b>AO2 Application 2 marks</b>	<b>AO3 Analysis 2 marks</b>	<b>AO4 Evaluation 6 marks</b>
3				<b>5–6 marks</b> <b>Developed evaluation in context</b> <ul style="list-style-type: none"> <li>• A developed judgement/conclusion is made in the business context.</li> <li>• Developed evaluative comments which balance some key arguments in the business context.</li> </ul>	
2	<b>2 marks</b> <b>Developed knowledge</b> of relevant key term(s) and/or factor(s) is used to answer the question.	<b>2 marks</b> <b>Developed application</b> of relevant point(s) to the business context.	<b>2 marks</b> <b>Developed analysis</b> that identifies connections between causes, impacts and/or consequences.	<b>3–4 marks</b> <b>Developed evaluation</b> <ul style="list-style-type: none"> <li>• A developed judgement/conclusion is made.</li> <li>• Developed evaluative comments which balance some key arguments.</li> </ul>	
1	<b>1 mark</b> <b>Limited knowledge</b> of relevant key term(s) and/or factor(s) is used to answer the question.	<b>1 mark</b> <b>Limited application</b> of relevant point(s) to the business context.	<b>1 mark</b> <b>Limited analysis</b> that identifies connections between causes, impacts and/or consequences.	<b>1–2 marks</b> <b>Limited evaluation</b> <ul style="list-style-type: none"> <li>• A judgement/conclusion is made with limited supporting comment/evidence.</li> <li>• An attempt is made to balance the arguments.</li> </ul>	
0	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	

Question	Answer	Marks
4(b)	<p>All annotation ( [K] [APP] [AN] [L2] [EVAL] [L2] [EVAL] [L3] [EVAL] ) should be in the left margin.</p> <p><b>Indicative content</b></p> <p>Responses may include:</p> <p><b>AO1 Knowledge and understanding</b></p> <ul style="list-style-type: none"> <li>• Understanding of decision trees – method of investment appraisal that takes into account uncertainty when comparing alternative investment opportunities.</li> <li>• Knowledge of factors in the decision: <ul style="list-style-type: none"> <li>TC’s objectives</li> <li>Finance available and cost</li> <li>Profit</li> <li>Investment appraisal techniques including payback, ARR and NPV</li> <li>Risk</li> <li>Impact on employees</li> <li>Reputation of TC</li> <li>Market in country M</li> </ul> </li> <li>• Knowledge of strategies for international marketing.</li> <li>• Knowledge of marketing strategy and marketing mix.</li> <li>• Understanding of other approaches to develop strategy.</li> </ul> <p><b>AO2 Application</b></p> <p>Limited application, [APP] applies knowledge to TC once.</p> <p>Developed application, [APP] + [APP] applies knowledge to TC twice</p> <ul style="list-style-type: none"> <li>• TC manufactures quality boxed chocolates.</li> <li>• Comparison of information in Fig. 1.1 for the three options. <ul style="list-style-type: none"> <li>EMV highest for option B (2.6m v 0.9m v 0.84m)</li> <li>Option B has higher probability of optimistic forecast (0.7 v 0.6)</li> <li>Optimistic outcome for option B is profit of \$3.5m</li> <li>Pessimistic outcome for option B is \$0.5m</li> <li>Significantly higher cost of option B</li> </ul> </li> <li>• Current rate of interest in country R is high</li> </ul>	

Question	Answer	Marks
4(b)	<ul style="list-style-type: none"> <li>• Directors are concerned about TC’s liquidity</li> <li>• Financial constraints imposed by other plans such as AI, new product range and introduction of TQM in existing factory.</li> <li>• Data is from an industry consultant.</li> <li>• Three possibilities for international expansion with EMVs for new marketing strategy and continue existing strategy</li> <li>• Directors wish to increase sales to country M as part of international expansion.</li> </ul> <p><b>AO3 Analysis</b>  <i>Limited analysis</i> <b>AN</b> – candidate shows one link in the chain of analysis.  <i>Developed analysis</i> <b>L2AN</b> – candidate shows two or more links in the chain of analysis.  <b>Analysis of points for and against the new factory and or other options.</b></p> <ul style="list-style-type: none"> <li>• The new factory is predicted to generate a higher EMV than the other two options and is therefore the favoured option based on DTA <b>AN</b></li> <li>• The new factory will increase capacity and therefore enable TC to increase sales internationally <b>AN</b> potentially increasing profit <b>L2AN</b></li> <li>• The new factory is the most expensive option and is nearly 8 times more expensive than option A. As interest rates are high this could be very costly if TC has to borrow the finance <b>AN</b> and therefore there is greater risk to TC if sales are lower than anticipated <b>L2AN</b>.</li> <li>• A new factory is a new venture requiring trained employees, a location site and planning permissions and will therefore take longer to generate profits <b>AN</b></li> </ul> <p><b>AO4 Evaluation</b>  <i>Limited evaluation</i> <b>EVAL</b> – limited supported judgement and/or a weak attempt at evaluative comment.  <i>Developed evaluation</i> <b>L2EVAL</b> – supported judgement and/or reasonable evaluative comment.  <i>Developed evaluation in context</i> <b>L3EVAL</b> – supported judgement in context and/or reasonable evaluative comment in context.</p> <ul style="list-style-type: none"> <li>• Recommendations based on analysis. Quantitatively, based on Fig 1.1 it is clear that building a new factory is a wise choice, assuming the data is accurate.</li> <li>• Identification of most important point or weighting of factors</li> <li>• Factors decision depends on: This also assumes that it will be possible to obtain employees, a site, permissions and supply of materials. These other factors need to be carefully researched to before a decision is made. Can TC find \$5.5m to finance the venture?</li> </ul>	

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<b>Question</b>	<b>Answer</b>	<b>Marks</b>
4(b)	<ul style="list-style-type: none"> <li>• Research using other approaches such as PEST to developing strategy could be recommended.</li> <li>• Possibly opt for a new marketing strategy before building a factory.</li> <li>• Data is from a consultant. How does TC know the data is accurate, reliable and realistic? Does this apply to the figures for the non-factory options?</li> <li>• How do the options fit with TC's corporate strategy and aims? Time scale?</li> </ul> <p>Assessment of basing decision on the DT analysis</p> <p>Advantages of decision tree analysis</p> <ul style="list-style-type: none"> <li>• Clearly sets out options in a quantitative way.</li> <li>• Takes account of level of risk and probability of outcomes.</li> <li>• Research needs to be detailed and thorough.</li> <li>• 'What if' analysis enables investigation of factors and assumptions opt clarify a decision.</li> </ul> <p>Disadvantages</p> <ul style="list-style-type: none"> <li>• Quantitative nature may disguise poor research.</li> <li>• Data and assumptions may not be realistic.</li> <li>• Other factors may be important and not taken account of – e.g. inflation, competitor's actions, government policy.</li> <li>• EMVs are averages and may never actually occur.</li> </ul> <p><b>Exemplar evaluation</b></p> <p>L1 Limited evaluation</p> <p>In conclusion, option B is the best as it has the highest EMV and is recommended by the industry consultant.</p> <p>Comment: Limited evaluation, although some context present.</p> <p>It will be best for TC to choose the option that has the highest probability of success and the highest EMV outcome. However, all probabilities and estimated outcomes are predictions, so much depends on the accuracy of these.</p> <p>Comment: Limited evaluation which attempts to balance argument but neither comment has been developed.</p> <p>L2 Developed evaluation</p>	

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<b>Question</b>	<b>Answer</b>	<b>Marks</b>
4(b)	<p>It will be best for TC to choose the option that has the highest EMV outcome as this results in the highest average profit which is a key goal of business. However, all probabilities and estimated outcomes are predictions, so much depends on the accuracy of these. Markets are dynamic and external changes may impact the actual outcomes.</p> <p>Comment: No context here (even though TC is mentioned) this is developed, but could apply to any business so L2.</p> <p>L3 Developed evaluation in context.</p> <p>Although option B has the highest EMV at \$2.6m and estimated probability of success of 0.7, all figures and probabilities are estimates, therefore other factors should be taken into account. The rate of interest in country R is high and if finance needs to be borrowed this will be costly and may worsen the liquidity situation, which goes against TC aim to improve liquidity in the short term. There is also the need for market research in Country M, as there is no evidence in the case that TC has researched this market.</p> <p>Accept all valid responses.</p>	

Question	Answer				Marks
5	<b>Evaluate the extent to which implementing total quality management (TQM) might <u>reduce costs for TC.</u></b>				12
	<b>Level</b>	<b>AO1 Knowledge and understanding 2 marks</b>	<b>AO2 Application 2 marks</b>	<b>AO3 Analysis 2 marks</b>	<b>AO4 Evaluation 6 marks</b>
3				<b>5–6 marks</b> <b>Developed evaluation in context</b> <ul style="list-style-type: none"> <li>A developed judgement/conclusion is made in the business context.</li> <li>Developed evaluative comments which balance some key arguments in the business context.</li> </ul>	
2	<b>2 marks</b> <b>Developed knowledge</b> of relevant key term(s) and/or factor(s) is used to answer the question.	<b>2 marks</b> <b>Developed application</b> of relevant point(s) to the business context.	<b>2 marks</b> <b>Developed analysis</b> that identifies connections between causes, impacts and/or consequences.	<b>3–4 marks</b> <b>Developed evaluation</b> <ul style="list-style-type: none"> <li>A developed judgement/conclusion is made.</li> <li>Developed evaluative comments which balance some key arguments.</li> </ul>	
1	<b>1 mark</b> <b>Limited knowledge</b> of relevant key term(s) and/or factor(s) is used to answer the question.	<b>1 mark</b> <b>Limited application</b> of relevant point(s) to the business context.	<b>1 mark</b> <b>Limited analysis</b> that identifies connections between causes, impacts and/or consequences.	<b>1–2 marks</b> <b>Limited evaluation</b> <ul style="list-style-type: none"> <li>A judgement/conclusion is made with limited supporting comment/evidence.</li> <li>An attempt is made to balance the arguments.</li> </ul>	
0	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	

Question	Answer	Marks
5	<p>All annotation (<b>K</b> <b>APP</b> <b>AN</b> <b>L2</b> <b>EVAL</b> <b>L2</b> <b>EVAL</b> <b>L3</b> <b>EVAL</b>) should be in the left margin.</p> <p><b>AO1 Knowledge and understanding</b></p> <ul style="list-style-type: none"> <li>• Definition of TQM – an approach to quality that aims to involve all employees in quality improvement</li> <li>• Understanding of implications of TQM such as Continuous improvement. Kaizen groups. Training of employees. Giving employees responsibility for quality Quality assurance – checking for quality at every stage. Internal customers. Removes need for quality control inspectors. TQM involves culture change to more employee involvement.</li> <li>• How TQM may reduce costs – links with inventory control, quality, employee roles, capacity management, waste reduction, and efficiency.</li> </ul> <p><b>AO2 Application</b> <i>Limited application, <b>APP</b> applies knowledge to TC once.</i> <i>Developed application, <b>APP</b> + <b>APP</b> applies knowledge to TC twice</i></p> <ul style="list-style-type: none"> <li>• TC manufactures premium quality boxed chocolates using materials of cocoa, sugar, nuts vegetable oils, nuts and fruits.</li> <li>• Hand finishing, inspection regime – inspector of materials and another for finished product.</li> <li>• Employees follow precise recipes and production processes.</li> <li>• Significant discards of below-standard chocolates.</li> <li>• TC already has good reputation for quality chocolate products.</li> <li>• Two quality controllers, one who checks raw materials and one who checks final products will lose their job roles.</li> </ul> <p><b>AO3 Analysis</b> <i>Limited analysis <b>AN</b> – candidate shows one link in the chain of analysis.</i> <i>Developed analysis <b>L2AN</b> – candidate shows two or more links in the chain of analysis.</i></p> <ul style="list-style-type: none"> <li>• Advantages of TQM By focusing on quality at all stages of production, TQM will reduce wastage of materials and finished products <b>AN</b>, therefore decreasing costs for TC <b>L2AN</b>.</li> </ul>	

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Question	Answer	Marks
5	<p>Through Kaizen groups, employees will be empowered to suggest changes to improve production and quality, therefore employees may be more motivated resulting in lower labour turnover <b>AN</b> and therefore reducing costs of recruitment <b>L2 AN</b>.</p> <p>As part of TQM, JIT inventory management will reduce the quantity of inventory being held <b>AN</b> and therefore should reduce storage costs <b>L2 AN</b>.</p> <ul style="list-style-type: none"> <li>Disadvantages of TQM TQM requires employee training and therefore there will be an increase in training costs to TC <b>AN</b> and the increased cash outflows may result in liquidity issues <b>L2 AN</b> (acid test ratio already low). Culture change will incur costs and employees may leave increasing recruitment costs <b>AN</b>. May be less focus on quality and commitment by employees due to insufficient training <b>AN</b> resulting in an increase in wastage in the short term and therefore an increase in costs <b>L2 AN</b>. Changing to TQM will mean that the two quality controllers are made redundant or redeployed resulting in an increase in costs <b>AN</b></li> </ul> <p><b>AO4 Evaluation</b></p> <p><i>Limited evaluation</i> <b>EVAL</b> – limited supported judgement and/or a weak attempt at evaluative comment.  <i>Developed evaluation</i> <b>L2 EVAL</b> – supported judgement and/or reasonable evaluative comment.  <i>Developed evaluation in context</i> <b>L3 EVAL</b> – supported judgement in context and/or reasonable evaluative comment in context.</p> <ul style="list-style-type: none"> <li>Assessment of extent to which TQM will reduce costs.</li> <li>Weighting of arguments.</li> <li>Recommend that TC build on existing good practice and introduce TQM gradually, winning employee trust. Then costs will be reduced.</li> <li>TQM requires active consent of employees and managers for success and a change to workforce culture requiring management and control of change.</li> <li>Could be tied in with IT/AI proposals in an integrated way to reduce costs.</li> <li>Conditions for successful implementation of TQM.</li> <li>Employees must be empowered to make decisions – some empowerment already in place (skilled hand finishing, making different products).</li> <li>Team working must be part of the culture – needs to be implemented.</li> <li>All employees must be involved – needs change.</li> <li>Training required but directors are committed and willing to invest</li> </ul>	

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<b>Question</b>	<b>Answer</b>	<b>Marks</b>
5	<p>L1 Limited evaluation</p> <p>In conclusion, techniques such as just in time (JIT) stock control will cut down on inventory costs and TQM should lead to less wastage, which is a problem for TC at present, therefore TQM should save costs.</p> <p>Comment: Limited evaluation, although some context present.</p> <p>L2 Developed evaluation</p> <p>In conclusion, techniques such as JIT stock control and TQM should cut down on wastage, as inventory will only be ordered as needed and products will be checked at each stage of production. However, if relationships with suppliers are not good, stocks may run low, disappointing customers. Employees will also need to be trained and may resist change. Therefore, TQM may reduce costs in the long term, but implementation should be carried out carefully and slowly.</p> <p>Comment: No context here, but this is developed evaluation. However, it could apply to any business so L2.</p> <p>L3 Developed evaluation in context.</p> <p>In conclusion, techniques such as JIT stock control and TQM should cut down on Inventory, currently high at \$1m and wastage, which is currently a problem, as ingredients such as cocoa will only be ordered as needed and chocolates will be checked at each stage of production. However, if relationships with suppliers are not good, stocks may run low, disappointing luxury retail customers. Employees will also need to be trained, which is costly and liquidity is already low in TC. They may also resist change. Therefore, TQM may reduce costs in the long term, but implementation should be carried out carefully and slowly. It should also be taken into account that culture change in TC will take time, as it seems to be a traditionally run production company.</p> <p>Comment: This conclusion is clearly developed and in context, as is the evaluative comment in the answer so L3.</p> <p>Accept all valid responses.</p>	