Cambridge International A Level

Cambridge Assessment International Education
Cambridge International Advanced Level

BUSINESS **9609/32**

Paper 3 Case Study **March 2018**

MARK SCHEME

Maximum Mark: 100

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.

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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.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>

'The Government of country X has decided to end international trading agreements with neighbouring countries.' (Lines 15–16)

Analyse the likely impact on AP of this decision.

<table>
<tr><th>Level</th><th>Knowledge
3 marks</th><th>Application
2 marks</th><th>Analysis
5 marks</th></tr>
<tr><td>2</td><td>3 marks
Good knowledge shown of impacts.</td><td>2 marks
Points well applied</td><td>4–5 marks
Good use of reasoned argument or theory to explain the likely impacts.</td></tr>
<tr><td>1</td><td>1–2 marks
Knowledge shown impacts.</td><td>1 mark
Some attempt to apply points or one point well applied</td><td>1–3 marks
Some use of reasoned argument or theory to explain likely impacts</td></tr>
<tr><td>0</td><td colspan="3">No creditable content</td></tr>
</table>

Answers may include:

Knowledge/definitions
- International trading areas – agreements such as free trade
- Economic slowdown – decrease in economic growth, rising unemployment, currency depreciation

Benefits
- Depreciating currency – exports will be more competitive
- Slowdown – wage rates in country X will grow more slowly
- country X interest rates are likely to stay low

Limitations
- All imported materials will be more expensive,
- country X consumers will have less disposable incomes,
- Will AP need to increase prices?
- Costs of all overseas projects will increase
- General disadvantages around uncertainty, such as banks' attitude towards lending and investor nervousness.

Application
- Reference to data in Table 1, e.g. may be able to trade more freely with USA and Asia
- Imported products, including processed raw materials such as hair and beauty ingredients from overseas will be more expensive.
- Falling country X incomes but are cosmetic products luxuries? Some may see as necessities.
- Cost of new factory, further growth options will increase

</td><td>10</td></tr>
</table>

Question	Answer	Marks
1	**Analysis** • New trade agreements could increase sales and market share in other countries/greater awareness • Slowdown in Country X will weaken market conditions and sales but this could be offset by better sales elsewhere due to competitive prices • Could this affect the decision to relocate more production overseas? • Higher cost of raw materials could feed through into price rises	

Question	Answer	Marks
2(a)	**Refer to lines 34–41 and Table 2. Calculate the forecast change in the dividend yield from 2017 to 2018.**	**6**

	2017 (actual)	2018 (forecast)
Revenue	550	580
Operating profit	56	60
Share price	$4 per share	$3.80 per share
Dividend per share	$0.30 per share	$0.28 per share
Retained profit	10	12

Dividend yield = (dividend per share/share price) × 100 (1 mark)

Dividend yield 2017: 0.30/4 × 100 = 7.5% (2 marks)

Dividend yield forecast 2018: 0.28/3.80 × 100 = 7.37% (2 marks)

Change in yield: 7.37 – 7.5 – = – 0.13% (or 0.13/7.5 × 100 = 1.73%) (6 marks)

Accept 7.36% therefore -0.14% (6)

Accept answer as decimal i.e. 0.0737 (2), 0.075 (2) and 0.0013 (6) etc.

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>

Refer to your results to part (a) and other information from the case. Recommend to AP's shareholders whether they should sell their shares in the company.

<table>
<tr><th>Level</th><th>Knowledge
2 marks</th><th>Application
2 marks</th><th>Analysis
4 marks</th><th>Evaluation
4 marks</th></tr>
<tr><td>2</td><td>2 marks
At least two relevant points made</td><td>2 marks
Points well applied</td><td>3–4 marks
Good use of theory to answer the question</td><td>3–4 marks
Good judgement shown</td></tr>
<tr><td>1</td><td>1 mark
One relevant point made</td><td>1 mark
Some attempt to apply points or one point well applied</td><td>1–2 marks
Some use of theory to answer the question</td><td>1–2 marks
Some judgement shown</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table>

Examiner note: L1 An & Eval if only use results to part (a) or other information

Answers may include:

Knowledge/definitions
- Shareholders as owners of the plc are interested in share prices and return on shares, so dividend yield is important

Application
- Use of figures/ratios calculated from the data, e.g. change in profit margin
- Detail of possible expansion plans into men's products/salons in hotels

Reasons to sell shares
- Share price is predicted to fall, sell before it falls further?
- Dividend yield is predicted to fall (but not significantly)
- Shareholder nervousness about future of company
- Recent fall in profit and dividends

Reasons to keep shares
- Profit margin is forecast to increase (10.2% to 10.3%)
- Interest rates still low so worse returns from banks
- Company expansion plans announced at AGM may be promising
- Strong track record of increasing dividend
- Commitment to CSR could be important to some investors

</td><td></td></tr>
</table>

Question	Answer	Marks
2(b)	**Analysis** • Share price fall decreases value of investment, may be reason to sell • Dividend yield is not changing significantly, so returns may still be acceptable to some investors • Long term view – company success in future potentially helped by new growth plans. **Evaluation** • Decision either way – sell or not • How well has Mary communicated the company's expansion plans? • Are shareholders in it for the long term or short term? • Main factor for shareholders holding shares? Return or ethical considerations • How are other investments performing?	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3</td><td>

To what extent might AP's focus on corporate social responsibility be the most important factor for the success of the proposed new marketing strategy for international markets?

<table>
<tr><th>Level</th><th>Knowledge
2 marks</th><th>Application
2 marks</th><th>Analysis
6 marks</th><th>Evaluation
6 marks</th></tr>
<tr><td>2</td><td>2 marks
At least two relevant points made</td><td>2 marks
Points well applied</td><td>4–6 marks
Good use of theory to answer the question</td><td>4–6 marks
Good judgement shown</td></tr>
<tr><td>1</td><td>1 mark
One relevant point made</td><td>1 mark
Some attempt to apply points or one point well applied</td><td>1–3 marks
Some use of theory to answer the question</td><td>1–3 marks
Some judgement shown</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table>

Answers may include:

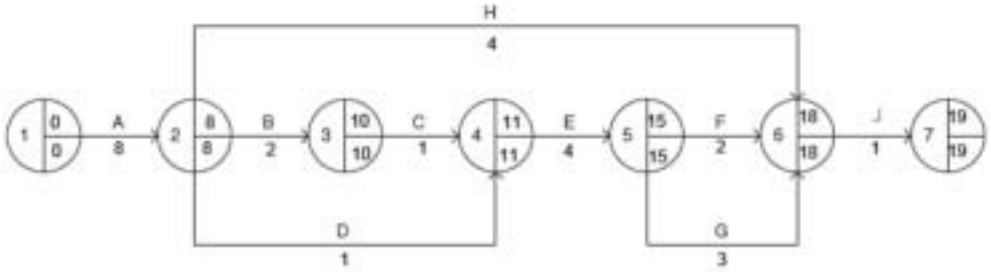
Knowledge/definitions
- Corporate social responsibility includes attitudes and activities undertaken by AP to show their company in a positive light in terms of contributions to society.
- A marketing strategy includes objectives, marketing budget, USP, marketing mix.
- Issues of cost and competitiveness

Application
- AP's commitment to girls' education in Africa. Ethical trading includes paying fair prices for raw materials, not testing on animals and no exploitation of child or other very low cost labour.
- (NB allow comments about well known businesses who market themselves in this way, such as the Body Shop and candidates' local examples.)
- Marketing strategy in this case the objective is to increase sales in Asia and USA.
- Could media reports of worker exploitation in Africa work against AP's declared belief in CSR?

Analysis
- Ways in which CSR may be used as part of strategy and increase sales, e.g. to 'ethical' consumers. May enable slightly higher prices to be set.
- Ways in which this could also increase costs – pressure on price for cost reasons, e.g. paying higher prices to suppliers.
- Do customers really care? May not influence consumers to buy over cheaper supermarket 'own brand'.

</td><td>16</td></tr>
</table>

Question	Answer	Marks
3	**Evaluation** • Judgement on importance • Other aspects of the marketing strategy that may be more important e.g. need to ensure that all parts of the company are run responsibly • How do these aspects fit in with all aspects of the marketing strategy, for example to what extent does the company have a USP • Issues of consumer attitude – to what extent do these aspects 'sell' products? Might consumers in some countries be more aware than in others? Cynically, do consumers actually care?	

Question	Answer	Marks
4(a)(i)	**Refer to Table 3 and the network diagram.** **<u>Calculate and enter on the network diagram</u> the earliest start time (EST) and latest finish time (LFT) for each activity.** See diagram below:  1 mark per correct node 3 marks if all ESTs correct 3 marks if all LFTs correct OFR	**7**
4(a)(ii)	**Identify on the network diagram the critical path.** Critical path is A,B,C,E,G,J *Note: It is not necessary to redraw the network diagram, but credit candidates who have included answers on their own drawn diagram.*	**1**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

Refer to your answer to part (a) and other information from the case. Assess the usefulness of critical path analysis (CPA) to AP when planning the new factory project.

<table>
<tr><th>Level</th><th>Knowledge
2 marks</th><th>Application
2 marks</th><th>Analysis
4 marks</th><th>Evaluation
4 marks</th></tr>
<tr><td>2</td><td>2 marks
At least two relevant points made</td><td>2 marks
Points well applied</td><td>3–4 marks
Good use of theory to answer the question</td><td>3–4 marks
Good judgement shown</td></tr>
<tr><td>1</td><td>1 mark
One relevant point made</td><td>1 mark
Some attempt to apply points or one point well applied</td><td>1–2 marks
Some use of theory to answer the question</td><td>1–2 marks
Some judgement shown</td></tr>
<tr><td>0</td><td colspan="3">No creditable content</td><td></td></tr>
</table>

Examiner note: L1 An & Eval if only use results to part (a) or other information

Answers may include

Knowledge/definitions
- CPA or network diagram is a way of sequencing activities and identifying which may not be delayed without delaying the whole project.
- Needs to be drawn up using expert information and realistic estimates of time taken. May be time consuming to carry out.
- Useful to work out which activities may be carried out at the same time
- May mean that resources, are ordered when needed and do not have to be kept for a long time before use.
- But does not take account of unforeseen delays.

Application
- Reference to particular tasks which may/may not be easy to predict the duration, e.g. installation of services such as water
- Reference to reasons for delays, for example bad weather delaying building work or unreliable suppliers of building materials
- Possible lack of expertise in AP for planning this type of building project, due to lack of knowledge of local conditions in Africa.
- Reference to importance of activities on the critical path

</td><td>12</td></tr>
</table>

Question	Answer	Marks
4(b)	**Analysis** • Line of argument followed as to how a network diagram may help to plan and sequence activities, avoid waste of time and resources • Line of argument as to why/how this may be difficult to predict and the consequences, if a critical activity is delayed, this will delay the whole project and lead to increased costs. **Evaluation** • Only as accurate as information and expertise used to compile it. • A useful tool, along with local knowledge, e.g. in African environment in this case.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>

Discuss the importance of human resource management to the success of the new African factory.

<table>
<tr><th>Level</th><th>Knowledge
2 marks</th><th>Application
2 marks</th><th>Analysis
5 marks</th><th>Evaluation
5 marks</th></tr>
<tr><td>2</td><td>2 marks
At least two relevant points made</td><td>2 marks
Points well applied</td><td>4–6 marks
Good use of theory to answer the question</td><td>4–6 marks
Good judgement shown</td></tr>
<tr><td>1</td><td>1 mark
One relevant point made</td><td>1 mark
Some attempt to apply points or one point well applied</td><td>1–3 marks
Some use of theory to answer the question</td><td>1–3 marks
Some judgement shown</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table>

Answers may include

Knowledge/definitions
- Human resources management – all aspects of planning, recruiting, and motivating the workforce
- Within HRM – workforce planning – assessing and providing for the workforce needs of the business, both now and in the future.
- Careful planning will be needed for both the factory set-up and subsequent running and management.
- Recruitment issues – getting the right people for the jobs.
- Involvement and motivation of workforce in decision making, teamwork, targets (MBO?) Kaizen groups.
- Local cultural issues and language barriers

Application
- This is a project that is being set up ‘from scratch’. Considerable planning expertise will be needed to set up and equip the new factory.
- Co-ordination may be difficult between local managers and those from country X who are sent to set up the factory
- Discussion of skills required, both for new systems and for kaizen groups and related points.
- Discussion of production targets as a means of motivation and related teamwork issues

Analysis
- Effective HRM will be essential, examples and followed through arguments of how successful planning, recruitment, training and on-going motivation and leadership may/may not lead to the success of the fa
- The impact of local issues, such as possible redundancy of ‘unskilled and unsuitable’ staff.
- The impact of communication barriers between country X and the factory managers in Africa.

</td><td>16</td></tr>
</table>

Question	Answer	Marks
5	**Evaluation** • Successful set up and running will need workforce to operate as a cohesive team • Communication will be essential within the factory and with AP in country X • Well motivated workforce should lead to more willingness to learn new skills, but issues of education and expertise • Expertise and training issues – how will modern techniques be introduced? Might it be difficult to find local managers with expertise?	

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Question	Answer	Marks

Questions 6 and 7 use this marking grid

Level	Knowledge 3 marks	Application 3 marks	Analysis 4 marks	Evaluation 10 marks
3				7–10 marks Good judgement shown throughout with well supported conclusion/ recommendation, focused on the business in the case
2	3 marks Good under-standing shown	3 marks Good application to the case	3–4 marks Good use of reasoned argument or use of theory to explain points made	4–6 marks Some judgement shown in the main body of the answer **and** an attempt to support conclusion/ recommendation, focused on the business in the case OR effective and well supported conclusion/ recommendation, focused on the business in the case
1	1–2 marks Some under-standing shown	1–2 marks Some application to the case	1–2 marks Limited use of reasoned argument or use of theory to support points made	1–3 marks Limited attempt to show judgement either within the answer OR a weakly supported conclusion/ recommendation with some focus on the business in the case
0	No creditable content			

Question	Answer	Marks
6	**Evaluate the usefulness of strategic choice techniques to AP's directors to help them decide between the two options for growth.** **L1 Skills maximum if just making a choice based on data rather than focussing on usefulness of techniques** Answers may include: **Knowledge/definitions** • Strategic choice techniques – Ansoff, Force Field analysis, Decision trees and how they might be used in this case to weigh up the options • Option A is selling the same products but in a different market, but also a new direction into service sector. • Option B is developing a new range of related products, for a market that AP has limited knowledge of. • Balance of costs and risk • Would either option prove a disaster for the company in the case of failure? **Application** • Reference to data in table 4 and other information as it applies to techniques • Detail of two options applied to strategic choice techniques **Analysis** • Use of techniques to weigh up data – cost and risk, followed through with affordability to AP • Comparison between techniques, given the data available. **Evaluation** • Limitations of techniques • Need to use other information • Dynamic nature of markets concerned • Which option is favoured by Directors? *Examiner's note: maximum L1 Analysis and Evaluation, if only the choice between options is addressed rather than techniques.*	**20**

Question	Answer	Marks
7	**Assume that AP's directors choose option A. Evaluate how this strategy may be successfully implemented.** **L1 maximum if implementation based only on one functional area**. Answers may include: **Knowledge/definitions** • Strategic implementation follows strategic analysis and strategic choice. It means putting a strategy into effect in a planned way, with the purpose of achieving an identified objective. • This is a major decision involving significant change and resources, including an entry into the service sector. • Corporate and contingency planning will be needed • Benefits of business planning in this context • Resources and finance? Use of retained profit? **Application** • AP knows a lot about production of products but not running salons • Maintaining supplies of beauty products to salons and hotels • How to plan for seasonality – flexible staffing for salons? Will staff be employed/recruited by AP or the hotels? • Issues of working together with hotel group in different countries • Will there be a 'pilot' project to try this out in a few hotels first? – may help to iron out difficulties • If hotel group runs into business problems, this will be out of AP's control but will have a negative impact **Analysis** • Possible consequences of issues identified and how they may be successfully managed • Followed through chain of argument of the importance of aspects such as seasonality, business planning, entry into service sector. • Followed through chain of arguments about the importance of corporate planning/contingency planning. **Evaluation** • Planning will be essential • Success will also depend on success of the hotel group, this could increase risk • There is a 30% chance of failure – what could this look like? How easy might it be to withdraw if the project fails? • Communication will be essential	**20**

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