CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/22**

Paper 2 Business Concepts 2 **February/March 2024**

MARK SCHEME

Maximum Mark: 60

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

This document consists of **30** printed pages.

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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 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.

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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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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).

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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.

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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.

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Question	Answer	Marks
1(a)(i)	**Identify <u>one</u> feature of JIT inventory management** **Indicative content** Responses may include: • Low/no inventory levels • Stock ordered according to production/customer demand • Reduced storage costs • Reduced risk of stock being stolen/damaged/becoming obsolete/wastage • Reduced insurance cost / decreased insurance risk • No/smaller warehouse required • Good relationship with suppliers *Do not allow better customer relationship* *Managing inventory is a tautology* Accept all valid responses.	**1**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(a)(ii)</td><td>

Explain the term *niche market*

<table>
<tr><th>AO1 Knowledge and understanding
1 mark</th><th>AO2 Application
2 marks</th></tr>
<tr><td></td><td>2 marks
Developed application of one relevant point to a business context.</td></tr>
<tr><td>1 mark
Knowledge of one relevant point is used to answer the question.</td><td>1 mark
Limited application of one relevant point to a business context.</td></tr>
<tr><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

Responses may include:
AO1 Knowledge and understanding
A niche market is a (small) section/part/subset of the market.

No further marks can be gained without knowledge and understanding

AO2 Application
A characteristic of a niche market (or niche marketing), such as:
- High quality/reputation
- USP/clear focus/differentiated
- High profit (margin)
- Loyal customers
- Low economies of scale/high production costs
- High risk/often single product/'all eggs in one basket'
- May be more vulnerable to change than a mass market
- Easier for small business to enter the market (e.g. lower marketing costs)

Example of a niche market (not a business that targets a niche market)

Do not allow specialised/customised as APP
Accept all valid responses.

</td><td>3</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)(i)</td><td>Refer to Fig. 1.1 and other information. Calculate the margin of safety in February.
<table>
<tr><th>Answer</th><th>Guidance</th></tr>
<tr><td>Formula to find margin of safety = actual output - break-even output (1)

Read the break-even output correctly from break-even chart = 1000 units (1)

OR

1400 – 1000 (2) OFR

Answer = 400 (units) or 40% (3)</td><td>Award 3 marks for correct answer of 400 (with or without workings)

Award 2 marks for correct answer 400 with dollar sign, e.g. $400 as the margin of safety is not a financial value</td></tr>
</table></td><td>3</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)(i)</td><td>

Exemplar and annotations

<table>
<tr><td>Marks</td><td></td><td></td></tr>
<tr><td>3 marks</td><td>Correct answer
400 units or 400 or 40%</td><td>Working does not matter.
Must be three ✓ to denote the three marks.</td></tr>
<tr><td>2 marks</td><td>One of the following:
• Correct presentation of numbers (1400 – 1000), but no correct answer
• Correct answer with incorrect units (i.e. $400 or 400%)
OR
An incorrect answer with one mistake allowing OFR for final stage.</td><td>To award two marks, there must be
• Two ✓ and a ✗
OR
• One ✓ , one ✗ and one OFR</td></tr>
<tr><td>1 mark</td><td>One of the following:
• Correct formula
• Correct identification of the break-even point (1000)</td><td>To award one mark, there must be:
• One ✓ and two ✗</td></tr>
<tr><td>0 marks</td><td>No creditable content.</td><td>To award zero marks, there must be
• One ✗</td></tr>
</table>

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

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)(ii)</td><td>

Explain <u>one</u> way that Zoe and Luis can use break-even analysis.

<table>
<tr><th>AO1 Knowledge and understanding
1 mark</th><th>AO2 Application
2 marks</th></tr>
<tr><td></td><td>2 marks
Developed application of one relevant point to a business context.</td></tr>
<tr><td>1 mark
Knowledge of one relevant point is used to answer the question.</td><td>1 mark
Limited application of one relevant point to a business context.</td></tr>
<tr><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

<table>
<tr><td>Knowledge</td><td>Knowledge of a way to use break-even analysis</td><td>1 mark</td></tr>
<tr><td>Explanation</td><td>Explanation of a way Luis could use break-even analysis</td><td>1 mark</td></tr>
<tr><td>Context</td><td>Context linked to a way Luis could use break-even analysis</td><td>1 mark</td></tr>
</table>

No marks can be awarded without knowledge.

Responses may include:
AO1 Knowledge and understanding
- To support decision making (i.e. pricing decisions, costing decisions)
- To calculate useful data (i.e. break-even level of output, margin of safety, profit/loss levels at levels of output)

Do not allow calculations that are needed to produce break even analysis (i.e. VC, FC, TR)
- To consider 'what if' scenarios,
- To forecast costs/pricing

No further marks can be gained without knowledge and understanding

</td><td>3</td></tr>
</table>

Question	Answer	Marks
1(b)(ii)	**AO2 Application** **Explanation may include:** • To support decision making; for example Luis could use the break-even data to decide on an appropriate marketing mix • To calculate useful data; such as the level of output at which ZB will stop making a loss. • To consider 'what if' scenarios; for example the impact of changing factors of production • To forecast costs/pricing when the level of output changes **Context may include:** • Margin of safety of 400 (OFR based on answer to **Q1(b)(i)** • Break-even level of output of 1000 (OFR based on answer to **Q1(b)(i)** • Allow any correct identifications/calculations of the data in Fig 1.1 (i.e. FC = $25 000, VC per unit = $15, TR/P per unit = $40 – *Note: some calculations depend upon the output*) • Business set up three years ago / in 2021 • Business has grown each year • Bags are made to order • ZB uses JIT • Lead time is five days • 50% growth in sales in February due to magazine advertising promotion. • Larger production team (due to sales growth) • Two supervisors recruited • 15 production employees • Supervisors given off-the-job training • Production employees paid a salary (fixed, direct cost) • Increased labour turnover recently • Recommendation to introduce performance-related pay • Luxury hand-made bags Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(c)</td><td>

Analyse <u>two</u> benefits to ZB of providing off-the-job training to the new supervisors.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

Off-the-job training is training that takes place away from their place of work. Examples of off-the-job training include a college/university course, distance learning (mark only given if no other marks awarded).

</td><td>8</td></tr>
</table>

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Question	Answer	Marks
1(c)	Responses may include: **AO1 Knowledge and understanding** Benefits of off-the-job training include: • Specialist/expert training / higher quality • Fewer interruptions / better concentration • Change of environment • Can lead to recognised qualifications • Less production interruptions / does not impact quality / can be done outside work hours • Can be safer / less risk/ allows practice/mistakes *Knowledge of a benefit must be specific to off-the-job training* **AO2 Application** • Sells products online / online retailer • Luxury hand-made bags • Made to customer's order • 15 employees • ZB works closely with its main supplier of raw materials • Operates a JIT inventory management system • ZB set up three years ago • ZB operates as a partnership • Growing demand following magazine advertising promotion in January • Labour turnover increasing **AO3 Analysis** • Specialist/expert/quality training; less waste in the business – higher profit. • Fewer interruptions / better concentration; supervisors may need less time to be trained, reducing costs – leading to higher profit. • Specialist equipment can be used; which may not be available in the business, so makes supervisors more productive – increased production and revenue. • Change of environment; may motivate workers making them more productive – increased products to sell and revenue. • Valuing employees; makes employees more loyal and less likely to leave the business – reducing recruitment costs.	

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Question	Answer	Marks
1(c)	• Can lead to recognised qualifications; which may motivate employees to work harder and be more productive – increases revenue. • Fewer production interruptions / does not impact quality; more products produced – decreases average costs. • Can be safer / less risk; less wastage, so lower costs – increased profit. Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(d)</td><td>Evaluate whether ZB should introduce performance-related pay.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table></td><td>12</td></tr>
</table>

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Question	Answer	Marks
1(d)	Responses may include: **AO1 Knowledge and understanding** Knowledge of performance related pay and/or salary, including**;** • Performance-related pay; is where the amount of payment is linked K – to the employee's meeting targets/quality/ability K • *Do not reward 'performance'* • Salary; a salary is a fixed payment K (usually paid monthly) irrespective of number of hours worked and/or productivity K *One payment system can gain both AO1 marks, if developed knowledge is shown.* **AO2 Application** • Sells products online / online retailer APP • Luxury hand-made bags • Made to customer's order • 15 employees • Operates a JIT inventory management system • ZB set up three years ago • ZB operates as a partnership • Growing demand following magazine advertising promotion in January • Orders increased by 50% • Labour turnover increasing • Five-day lead time • Workers currently paid a salary **AO3 Analysis** Analysis for performance related pay, including; • Performance-related pay offers employees an incentive to work harder AN – increased productivity DEV . • Performance-related pay offers the employees the opportunity to potentially earn more money than when they were paid a salary. This could reduce labour turnover – decreases costs. • Money as a method of motivation and increased productivity – lower costs. • Challenge of setting fair performance objectives / fair review of performance for all employees, increases productivity – increases sales. • Performance-related pay may encourage some employees to work faster/harder and quicker dispatch of orders may become a source of competitive advantage – increased market share.	

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Question	Answer	Marks
1(d)	Analysis against performance related pay, including; • Money not motivating all employees so may increases costs – and lead to lower profit • Time/administration involved with managing/operating a performance-related pay system increases costs – reduces profit. • Employees may focus on producing a higher quantity under a performance-related pay system, which could have a negative impact on quality - which could affect future sales/brand image. • The change to performance-related pay may lead to less pay stability for employees and could increase labour turnover further – increasing costs. Allow analysis for and against a maintaining salary, including; • Salary payments offer stability for employees as they know how much they will receive each month which may reduce labour turnover – reducing costs. • Salary payments offer no incentive for employees to increase production – no growth. **AO4 Evaluation** • A judgement whether ZB should introduce performance related pay, and/or a judgement that ZB should maintain its system of paying a salary. • What the introduction of performance related pay may depend upon, such as; whether employees are motivated by pay, the local labour market and the employee's reaction to the idea • Whether the benefits of the increased employee effort/motivation outweigh the costs of introducing the system? • What payment systems do other local businesses offer – will ZB continue to lose experienced employees if unhappy about the change? • What impact will the change have on product quality – will this affect future sales/brand image? • Will employees receive a basic payment alongside the performance-related element to provide stability? Accept all valid responses.	

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Question	Answer	Marks
2(a)(i)	**Identify <u>one</u> secondary market research source.** Responses may include: • journal articles • Government data /census • textbooks • dictionaries and encyclopaedias • books • newspapers and magazines • accounts and reports • <u>previous</u> sales/internal data • competitor data • Data collected by other businesses • Feedback found on media / other sources – *do not accept 'internet' unless the source is clear or other named internet source.* Accept all valid responses.	**1**

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

Explain the term *leasing*.

<table>
<tr><th>AO1 Knowledge and understanding
1 mark</th><th>AO2 Application
2 marks</th></tr>
<tr><td></td><td>2 marks
Developed application of one relevant point to a business context.</td></tr>
<tr><td>1 mark
Knowledge of one relevant point is used to answer the question.</td><td>1 mark
Limited application of one relevant point to a business context.</td></tr>
<tr><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

Indicative content
Responses may include:
AO1 Knowledge and understanding
- A legal contract to enable the lessee to use an asset in return for a payment.
- The ability to use something for a regular payment/rent.

No further marks can be gained without knowledge and understanding

AO2 Application
A characteristic of leasing, such as;
- The lessee will never own the asset. The asset is always owned by the lessor.
- The lessor is usually responsible for maintenance of the asset.
- The lessor may be responsible for insurance of the asset.
- Allows a business to update their equipment more often.
- An external source of finance.
- Can avoid the finance needed to purchase an asset.

Example of leasing or something that is usually leased by a business.

Accept all valid responses.

</td><td>3</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)(i)</td><td>Refer to Table 2.1 and other information. Calculate the difference in labour turnover between factory A and factory B.
<table>
<tr><th>Answer</th><th>Guidance</th></tr>
<tr><td>Formula
$= \frac{\text{Number of employees leaving business}}{\text{Average number of employees within business}} \times 100$ (1)
OR
factory B: 25/200 × 100 (1)

= 12.5% (2)

= 14% – 12.5% (OFR) = 1.5% (3)

Answer = 1.5%</td><td>Award 3 marks for correct answer of 1.5% (with or without percentage sign).

If rounding is used then accept 13% (and an answer of 1%).</td></tr>
</table></td><td>3</td></tr>
</table>

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

Exemplar and annotations

<table>
<tr><td>Marks</td><td></td><td></td></tr>
<tr><td>3 marks</td><td>Correct answer
1.5%</td><td>Working and % does not matter.
Must be three ✓ to denote the three marks.</td></tr>
<tr><td>2 marks</td><td>• Correct calculation of labour turnover for Factory B (12.5%)
OR
• An incorrect answer with one mistake allowing OFR for final stage.</td><td>To award two marks, there must be
• Two ✓ and a ✗
OR
• One ✓ , one ✗ and one OFR</td></tr>
<tr><td>1 mark</td><td>• Correct formula (can be assumed from the correct use of figures ie (25/200) X 100</td><td>To award one mark, there must be:
• One ✓ and two ✗</td></tr>
<tr><td>0 marks</td><td>No creditable content.</td><td>To award zero marks, there must be
• One ✗</td></tr>
</table>

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

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

Explain <u>one</u> advantage to MLC of low labour turnover.

<table>
<tr><th>AO1 Knowledge and understanding
1 mark</th><th>AO2 Application
2 marks</th></tr>
<tr><td></td><td>2 marks
Developed application of one relevant point to a business context.</td></tr>
<tr><td>1 mark
Knowledge of one relevant point is used to answer the question.</td><td>1 mark
Limited application of one relevant point to a business context.</td></tr>
<tr><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

<table>
<tr><td>Knowledge</td><td>Knowledge of an advantage of low labour turnover</td><td>1 mark</td></tr>
<tr><td>Explanation</td><td>Explanation of an advantage to MLC of low labour turnover</td><td>1 mark</td></tr>
<tr><td>Context</td><td>Context linked to an advantage to MLC of low labour turnover</td><td>1 mark</td></tr>
</table>

No marks can be awarded without knowledge.

Responses may include:
AO1 Knowledge and understanding
- Reduced costs
- Improved motivation/morale
- More experienced/efficient employees / higher productivity
- Better customer experience
- Improved corporate culture
- More attractive when recruiting new employees

No further marks can be gained without knowledge and understanding

</td><td>3</td></tr>
</table>

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Question	Answer	Marks
2(b)(ii)	**AO2 Application** **Explanation may include:** • Reduced costs; such as lower induction costs due to fewer new employees • Improved motivation/morale; because the workers want to stay in the workplace • More experienced/efficient employees / higher productivity – so the business will have more/better/higher quality production. • Better customer experience; because the employees are likely to be more experienced • Improved corporate culture; because the employees want to stay at MLC • More attractive when recruiting new employees; because the new recruits will be joining an experienced and happy team. **Context may include:** • Market leader for laptops • Produces a range of laptop computers • Developing a new touchscreen laptop computer • Secondary and primary market research shows high potential demand for the new product • Private limited company • Trading for 20 years • Two factories in Country K • Capital intensive • Lease new machinery to make the new computer • 350 employees • Objective to reduce labour turnover to 8% by 2026 • Labour turnover is 14% in Factory A • Labour turnover is 12.5% in Factory B (OFR) Accept all valid responses.	

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

Analyse <u>one</u> advantage and <u>one</u> disadvantage to MLC of using price skimming to launch the new touchscreen computer.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

Price skimming is a pricing strategy in which a firm charges a high initial price and then gradually lowers the price to attract more price-sensitive customers. The pricing strategy is usually used by a first mover who faces little to no competition.

</td><td>8</td></tr>
</table>

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Question	Answer	Marks
2(c)	Responses may include: **AO1 Knowledge and understanding** **Advantages:** • Quicker return on investment / cover development costs • Supports higher profit margins when the computer is first offered for sale • Can help develop a prestigious brand image / associate product with higher quality • Can help the business target a specific market segment **Disadvantages:** • Relies on low competition in the market/unique product • Customers may wait until the price reduces • Customers who purchase the product at the higher price may feel 'conned' when/if the price reduces • Reduced sales volumes (whilst the price is high) may offer an opportunity for competitors to enter the market **AO2 Application** • Market leader for laptops • Produces a range of laptop computers • Secondary and primary market research shows high potential demand for the new computer • New computer will use the latest technology • Private limited company • Trading for 20 years • Capital intensive • Lease new machinery to make the new computer • Objective to reduce labour turnover to 8% by 2026 • Maria is the majority shareholder / owns 55% of shares	

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Question	Answer	Marks
2(c)	**AO3 Analysis** **Advantages:** • Quicker return on investment / cover development costs; make a profit more quickly – allows growth of the business. • Supports higher profit margins when the computer is first offered for sale; can be reinvested in the business – allows for profit maximisation in the long term. • Can help develop a prestigious brand image / associate product with higher quality; leading to higher sales revenue – increases profit. • Can help the business target a specific market segment; niche market can have a lower cost of customer acquisition – increases profit margin. **Disadvantages:** • Relies on low competition in the market/unique product; if competitors are cheaper then low sales – low profit margin. • Customers may wait until the price reduces; low initial sales – may lead to business failure. • Customers who purchase the product at the higher price may feel 'conned' when/if the price reduces; poor brand image – low sales. • Reduced sales volumes (whilst the price is high) may offer an opportunity for competitors to enter the market; low sales – leading to a reduced profit. Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(d)</td><td>Evaluate whether MLC should change from a private limited company to a public limited company.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table></td><td>12</td></tr>
</table>

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Question	Answer	Marks
2(d)	Responses may include: **AO1 Knowledge and understanding** **Knowledge of differences between a private limited company and a public limited company, including;** • In a private limited company, shares cannot be sold on the stock market / only sold to family and friends (privately) K. Whereas in a public limited company shares can be sold on the stock market K. • Private limited companies can be setup for a relatively low amount, whereas the capital requirements for a public limited company are much higher. • Private limited companies have a limit on the maximum number of shareholders (typically 50), whereas there is no limit to the number of shareholders in a public limited company. • Anyone can purchase shares in a public limited company, whereas only those invited can buy shares in a private limited company. • A private limited company requires fewer directors (typically a minimum of one), whereas a public limited company requires more (typically a minimum of two). • A public limited company can be at risk of a hostile takeover, whereas a private limited company has virtually no risk of a hostile takeover. • A public company must publish its accounts, whereas a private limited company just has to make them available. **AO2 Application** • Market leader for laptops • Produces a range of laptop computers • Developing a new touchscreen laptop product • New computer uses the latest technology • Trading for 20 years • Two factories in country K • Capital intensive • Lease new machinery to make the new product • 350 employees • Objective to reduce labour turnover to 8% by 2026 • Launch five new products over the next three years • Maria is the majority shareholder / owns 55% of shares	

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Question	Answer	Marks
2(d)	**AO3 Analysis** **Analysis that MLC should change from a private limited company to a public limited company, including;** • MLC (and the shareholders of MLC) could release a large amount of equity by converting to a public limited company – used to develop new products for sale – used to finance the future growth of the company. • Allows MLC to reach a much larger pool of potential investors – can be used to finance expansion in the future. • May provide positive publicity/stability for MLC – increase sales/profit. **Analysis that MLC should not change from a private limited company to a public limited company, including;** • There is the risk of public limited companies being taken over whereas this risk does not apply to private limited companies as permission is required to purchase shares; this means that the owners may lose control of the business – leading to having to sell their shares. • Maria can retain more control over a private limited company – may allow her to reach her objectives for the business (future growth). **AO4 Evaluation** • A judgement whether MLC should or should not change from a private limited company to a public limited company. • What the judgement might depend upon, such as; the objectives of the current shareholders, the likely interest from potential investors, the level of control desired by the current shareholders, the state of the economy in country K, the actions/reactions of competitors in the market (especially those who may look to takeover MLC), the level of capital that exists in MLC. • The most appropriate form of business ownership may depend upon the business's objectives and financial situation – if the company needs more finance to support expansion a public limited company may be appropriate, but due to the drawbacks of lack of control the business should remain a private limited company if it has sufficient financial resources. • The company leases machinery to produce the new laptop computer so may not need significant amounts of finance. • How do the other shareholders feel about the change of ownership – will the change lead to shareholders withdrawing their investment? • Maria is currently the majority shareholder with a 55% share – the change may affect her control of the business. • Will the change help the business to build a stronger brand image with stakeholders – will it lead to new business opportunities? Accept all valid responses.	

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