Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/21**

Paper 2 Data Response **May/June 2022**

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

This document consists of **22** 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 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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Social Science-Specific Marking Principles (for point-based marking)

1 Components using point-based marking:

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

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)

b DO credit alternative answers/examples which are not written in the mark scheme if they are correct

c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).

d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)

e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities

f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).

g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

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

3 Calculation questions:

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

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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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PREPARATION FOR MARKING

1 Make sure that you have completed the relevant training and have access to the *RM Assessor Guide*.
2 Make sure that you have read and understand the question paper, which you can download from https://support.rm.com/ca
3 Log in to RM Assessor then mark and submit the required number of practice and standardisation scripts. You will need to mark the standardisation scripts to the required accuracy in order to be approved for marking live scripts. You may be asked to re-mark them, or to mark a second sample, if you do not meet the required accuracy on your first attempt.

MARKING PROCESS

1 Mark strictly to the FINAL mark scheme, applying the criteria consistently and the general marking principles outlined on the previous page.
2 If you are in doubt about applying the mark scheme, consult your Team Leader.
3 Mark at a steady rate through the marking period. Do not rush, and do not leave too much until the end. If you anticipate a problem in meeting the deadline, contact your Team Leader immediately and the Examiners' Helpdesk.
4 Examiners will prepare a brief report on the performance of candidates to send to their Team Leader via email by the end of the marking period. The Examiner should note strengths seen in answers and common errors or weaknesses. Constructive comments on the question paper, mark scheme or procedures are also appreciated.

MARKING SPECIFICS

Crossed out work

1 All of a candidate's answers, *crossed out* or not, *optional* or not, must be marked.
2 The only response not to be marked is one that has been crossed out and replaced by another response for that exact same question.
3 Consequently, if a candidate has crossed out their response to an optional question and gone on to answer a different optional question then both attempts must be marked. The higher mark will be awarded by the system according to the rubric.

0 (zero) marks or NR (no response)

1 Award **NR** if there is nothing at all written in answer to that question (often the case for optional questions).
2 Award **NR** if there is a comment which is not an attempt at the question (e.g. 'can't do it' or 'don't know' etc.)
3 Award **NR** if there is a symbol which is not an attempt at the question, such as a dash or question mark.
4 Award **0** (zero) if there is any attempt at the question which does not score marks. This includes copying the question onto an Answer Booklet.

Annotation

1 Every question must have at least one annotation e.g. <NAQ> if it is an NR and <X> or <seen> if 0 marks are awarded.
2 Every page of a script must have at least one annotation e.g. <BP> for a blank page.

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

Define the term 'market segmentation' (line 25).

Knowledge	Marks
A correct definition	2
A partial, vague or unfocused definition	1
No creditable content	0

Note: *Do not accept 'segment' as a 'split' term*

A correct definition should cover the following:
- splits a market into different groups
- segmentation could be by age/gender/geographic/demographic or each group has similar characteristics

Exemplar	Rationale	Marks
Looks at different groups e.g. by sales value/volume	Both elements covered	2
Splits a market into groups, each of which has similar characteristics	Both elements covered	2
Splits a market into groups	An understanding of segmentation (no expansion)	1
Splits a market by sales value	Only one element of the flow identified	1
Segments a market	Tautology	0

ARA

</td><td>**2**</td></tr>
</table>

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

Explain the difference between cash and profit (line 23).

Award one mark for each point of explanation.

Point	Explanation	Marks
C*	Cash is the revenue a business has after sales while profit is revenue minus expenses	3
B	Profit is revenue minus expenses	1
A	Cash is the physical flow of money in and out of a business	1

Note: The difference does not need to have clear definitions – implied knowledge is acceptable when in the context of a difference

Content could come from:
- Cash is the physical flow of money in and out of a business
- Cash is the capital used to pay for day-to-day costs
- Cash is an example of revenue, ignoring any expenses
- Profit is revenue minus expenditure
- Profit is the difference between revenue and costs
- Profit is calculated at the end of a trading period
- Profit is shown on the Income Statement

Exemplar	Rationale	Marks
Cash is the revenue a business has after sales while profit is revenue minus expenses	Shows a difference	3
Cash is more liquid than profits	Shows a clear difference	3
Cash is a current asset, but profit is on the Income Statement	These are not definitions but there is a clear difference	3
They appear on different accounting statements	A clear difference	3
Cash is the revenue a business has after sale. Profit is revenue minus expenses	Both elements correct but a difference not shown	2
Splits a market into groups	An understanding of segmentation (no expansion)	1

ARA

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

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

Refer to Table 1.1. Calculate PB's forecast closing balance in month 3 (X).

<table>
<tr><th>Rationale</th><th>Marks</th></tr>
<tr><td>Correct answer (with or without working or $)</td><td>2</td></tr>
<tr><td>Correct formula/identifies correct figures</td><td>1</td></tr>
<tr><td>No credible content</td><td>0</td></tr>
</table>

Content
Closing balance = opening balance + inflows – outflows (1)
Opening balance –1000
add inflows 11 000
minus outflows 13 000 (1)
X = – **$3000** (accept –3000, (3000) or –3) (2)

<table>
<tr><td colspan="3">Common incorrect answers</td></tr>
<tr><td>(2000)</td><td>No marks</td><td>no working</td></tr>
<tr><td>3000</td><td>No marks</td><td>No working</td></tr>
<tr><td>–1000+11000 –13000 = 3000</td><td>1 mark</td><td>for calculation</td></tr>
<tr><td>11000 – 13000 = –2000</td><td>1 mark</td><td>one mistake (not used opening balance)
OFR for last stage</td></tr>
<tr><td>1000 + 11000 – 13000 = 3000</td><td>0 mark</td><td>Incorrect opening balance and incorrect answer</td></tr>
</table>

</td><td>2</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)(ii)</td><td>
Analyse <u>two</u> benefits to Priya of producing a cash flow forecast.
<table>
<tr><th>Level</th><th>Knowledge and Application (4 marks)</th><th>Marks</th><th>Analysis (4 marks)</th><th>Marks</th></tr>
<tr><td>2b</td><td>Shows understanding of two benefits in context</td><td>4</td><td>Developed analysis of two benefits in context</td><td>4</td></tr>
<tr><td>2a</td><td>Shows understanding of one benefit in context</td><td>4</td><td>Developed analysis of one benefit in context</td><td>3</td></tr>
<tr><td rowspan="2">1</td><td>Shows knowledge of two benefits</td><td>2</td><td>Limited analysis of two benefits</td><td>2</td></tr>
<tr><td>Shows knowledge of one benefit</td><td>1</td><td>Limited analysis of one benefit</td><td>1</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table>
Note: As the business has started trading, using the CFF either before or after starting trading is acceptable.

Knowledge of benefits may include:
• Anticipate potential shortfalls in cash
• Keep track of payments
• Understand the impact of future plans
• Manage surplus cash
• Track whether revenue/spending is on target

Application may include:
• Buying and selling new and used books
• Priya applied for a council grant for entrepreneurs willing to open a bookshop; grant application included a CFF
• Any information from Table 1.1
• Used to decide promotional methods
</td><td>8</td></tr>
</table>

Question	Answer	Marks
1(b)(ii)	**Analysis of benefits may include:** • PB is a new business and having a cash flow forecast will have helped/will help her to receive the grant – which allowed for initial survival • Allows/ed Priya to plan ahead and manage the budget more effectively e.g. the deficit in the first few months – to avoid overdraft fees in months 2 and 3 • Many small businesses fail due to a lack of cash flow, so this allows/ed Priya to arrange an overdraft for months 2 and 3 • Allows Priya to manage cash flow, e.g. the deficit in months 2 and 3 could be overcome through reductions in cash outflows e.g. marketing. **ARA**	

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

Explain <u>two</u> entrepreneurial qualities that Priya has shown.

<table>
<tr><th>Point</th><th>Explanation</th><th>Marks</th></tr>
<tr><td>App+App</td><td>Two entrepreneurial qualities explained in context</td><td>4</td></tr>
<tr><td>App</td><td>One entrepreneurial quality explained in context</td><td>3</td></tr>
<tr><td>K+K</td><td>Two entrepreneurial qualities identified</td><td>2</td></tr>
<tr><td>K</td><td>One entrepreneurial quality identified</td><td>1</td></tr>
</table>

Content and context could come from:

- Motivated – wants to start her own bookshop
- self-disciplined – financial discipline by creating a cash flow forecast
- risk-taking – has invested $15K of own capital
- creative – making appropriate marketing materials for 0 to 15-year-olds
- leadership – will manage up to 3 employees
- confident – starting own bookshop by risking $15K of own capital
- initiative – has applied for a $20K grant

<table>
<tr><th>Exemplar</th><th>Mark</th><th>Rationale</th></tr>
<tr><td>She applied for a $20K grant which shows initiative and is motivated to start her own bookshop</td><td>4</td><td>Two applied qualities explained</td></tr>
<tr><td>Priya showed initiative by researching and applying for a $20K grant</td><td>3</td><td>Applied quality explained</td></tr>
<tr><td>Initiative and leadership</td><td>2</td><td>Two entrepreneurial qualities identified</td></tr>
<tr><td>Initiative is taking an opportunity available to you and risk taking is taking a decision which could have negative consequences</td><td>2</td><td>Two generic qualities explained</td></tr>
<tr><td>Initiative is taking an opportunity available to you</td><td>1</td><td>Generic quality explained</td></tr>
</table>

</td><td>**4**</td></tr>
</table>

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

Recommend suitable promotional methods that Priya could use to raise awareness of PB in town R. Justify your recommendation.

<table>
<tr><th>Knowledge and Application (4 marks)</th><th>Marks</th><th>Analysis and Evaluation (7 marks)</th><th>Marks</th></tr>
<tr><td></td><td></td><td>Justified judgement(s) that follows on from a discussion based on two promotional methods relevant to PB</td><td>7</td></tr>
<tr><td></td><td></td><td>Recommendation(s) that follows on from a balanced argument relevant to PB</td><td>6</td></tr>
<tr><td></td><td></td><td>A simple recommendation based on a balanced argument relevant to PB</td><td>5</td></tr>
<tr><td>Shows knowledge of two promotional methods in context</td><td>4</td><td>A balanced argument based on analysis of two promotional methods with context</td><td>4</td></tr>
<tr><td>Shows knowledge of one promotional method in context</td><td>4</td><td>Argument based on analysis of one promotional method with context</td><td>3</td></tr>
<tr><td>Shows knowledge of two promotional methods</td><td>2</td><td>Limited analysis of two promotional methods</td><td>2</td></tr>
<tr><td>Shows knowledge of one promotional method</td><td>1</td><td>Limited analysis of one promotional method</td><td>1</td></tr>
<tr><td colspan="4">No creditable content</td></tr>
</table>

Knowledge may include:

- Above and/or below the line promotion with some explanation
- BTL examples: direct mail, in-store offers, direct selling, social media, trade shows, catalogues, sponsorship, branding and merchandising and targeted search engine marketing
- ATL: examples: radio, television, billboards, magazine and newspapers

</td><td>11</td></tr>
</table>

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

Application may include:
- New bookshop
- Likely to be lots of competition in ‘booktown’
- Any financial information from table 1.1
- Using market segmentation
- Any market research information from table 1.2

Analysis may include:
- BTL is cheaper than ATL and as PB is new and cashflow is restricted/poor – may not be able to survive/pay bills
  - In-store offers; can offer 15% discount on books which would lead to increased revenue – increased profit
- ATL hits a mass audience – but too expensive
  - Local radio; can advertise to target audience of 16–64 which increases sales of books – raises profile/brand awareness
- High competition means tourists are likely to impulse buy based on price so in-store and personal selling – may be useful to provide purchasing incentives so more sales

Evaluation may include:
- A recommendation for Priya based on arguments in context as to which promotional methods Priya could use
- A judgement over which method is/are most suitable
- An evaluation on the level of argument
- What the judgement/evaluation may depend on: target audience, type of book, price sensitivity, advertising elasticity, competition

<table>
<tr><th>K</th><th>APP</th><th>AN</th><th>DEV</th><th>EVAL</th></tr>
<tr><td>in store offers</td><td>To persuade tourists to buy</td><td>Which increases sales</td><td>As customers may be price sensitive due to competition</td><td rowspan="2">Priya should use both instore offers and social media As social media can help drive traffic and in store offers can convert browsers. However, it depends on whether Priya’s target audience is likely to social media and how diligent she is in updating her profile.</td></tr>
<tr><td>Social media</td><td>To showcase book signings</td><td>As it is a cheap method and easily updated</td><td>To build PB brand profile</td></tr>
</table>

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

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

Define the term 'lead time' (line 5).

<table>
<tr><th>Knowledge</th><th>Marks</th></tr>
<tr><td>A correct definition</td><td>2</td></tr>
<tr><td>A partial, vague or unfocused definition</td><td>1</td></tr>
<tr><td>No creditable content</td><td>0</td></tr>
</table>

A correct definition should cover the following:
The period between the start of a process and the completion of that process such as the time period between placing an order and receiving the goods.

Must have both starting and finishing a process for two marks.
Vague statements such as the time a process takes only 1 mark.

<table>
<tr><th>Exemplar</th><th>Rationale</th><th>Marks</th></tr>
<tr><td>The amount of time taken between the placing an order and delivery</td><td>both starting and finishing an order process</td><td>2</td></tr>
<tr><td>The time taken to receive inventory from when it was ordered</td><td>Time between order and delivery identified</td><td>2</td></tr>
<tr><td>Time between delivery and reorder of supplies</td><td>This is not lead time, this is backwards</td><td>2 (BOD)</td></tr>
<tr><td>The time it takes for an order to be delivered</td><td>Order time not identified</td><td>1</td></tr>
<tr><td>How long it takes to get an order</td><td>BOD finish time</td><td>1</td></tr>
<tr><td>The amount of stock a business keeps as a buffer</td><td>Wrong definitions</td><td>0</td></tr>
</table>

</td><td>**2**</td></tr>
</table>

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

Explain the term 'mission statement' (line 2).

Award one mark for each point of explanation.

Point	Knowledge	Marks
C	Example or some other way of showing good understanding – e.g. communicates to stakeholders what the business stands for/ helps establish aims and objectives	1
B	One mark for understanding of the concept of aims and values (mission)	1
A	One mark for understanding that it defines a company or organisation's reason for being (statement)	1
	No creditable content	0

Note: C mark can only be awarded if A and B marks have already been awarded

Exemplar	Rationale	Marks
A vague and general phrase that transmits what the business is about and motivates workers	Describes what it is (vague), what it is for (transmits values) and a benefit (motivates)	3
A phrase that represents the business core objectives and motivates employees	All points met	3
A phrase that represents the business core objectives	A and B only	2
A document that tells stakeholders the business values	A and B	2
A statement that motivates employees	A only – C not awarded	1
The aims and objectives of a business	Part of a mission statement – limited understanding	1

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

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

Refer to Table 2.1. Calculate MC's acid test ratio.

<table>
<tr><th>Rationale</th><th>Marks</th></tr>
<tr><td>Correct answer (with or without formula)</td><td>4</td></tr>
<tr><td>Attempt using correct figures</td><td>3</td></tr>
<tr><td>Correct formula and calculation of current assets or current liabilities
OR
Correct calculation of current assets and current liabilities</td><td>2</td></tr>
<tr><td>Correct formula</td><td>1</td></tr>
<tr><td>No creditable content</td><td>0</td></tr>
</table>

$\frac{\text{current assets – inventory}}{\text{current liabilities}}$ (1)

Current Assets = 26 + 19 + 1 = 46
46 – 1 = 45
Current Liabilities = 30 + 20 = 50 (2)
$\frac{45}{50}$

= 1 : 0.9 (accept 0.9) or 9:10

<table>
<tr><td colspan="3">Common incorrect answers</td></tr>
<tr><td>45/50</td><td>3 marks</td><td>This is a fraction, ratio/calculation not completed</td></tr>
<tr><td>45:50</td><td>3 marks</td><td>Has not been simplified</td></tr>
<tr><td>46/50 = .92</td><td>3 marks</td><td>Correct current ratio – OFR</td></tr>
<tr><td>46/50</td><td>2 marks</td><td>Correct calculation of current assets and current liabilities</td></tr>
</table>

</td><td>4</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)(ii)</td><td>
Explain <u>one</u> reason why the acid test ratio is useful to MC’s Finance Director.
<table>
<tr><th>Level</th><th>Knowledge and Application</th><th>Marks</th></tr>
<tr><td>2 (APP)</td><td>Explanation of one use of the acid test ratio in context</td><td>2</td></tr>
<tr><td>1 (K)</td><td>Identification of one use of the acid test ratio</td><td>1</td></tr>
<tr><td>0</td><td>No creditable content</td><td>0</td></tr>
</table>
Content is likely to come from:
• Measure of liquidity to see if it can cover short term debts without selling inventory
• Check the risk of illiquidity
• To gain finance/investment

Context is likely to come from:
• At 0.9 it is below the industry average
• Any relevant data from Table 2.1
• Investment of $4m
<table>
<tr><th>Exemplar</th><th>Rationale</th><th>Marks</th></tr>
<tr><td>0.9:1 is less than industry average and can signify liquidity problems</td><td>Context and content</td><td>2</td></tr>
<tr><td>To see if it can cover short term debts without selling inventory</td><td>No context</td><td>1</td></tr>
<tr><td>Measures liquidity</td><td>No context</td><td>1</td></tr>
<tr><td>Check the risk of illiquidity</td><td>No context</td><td>1</td></tr>
<tr><td>Ratio calculation only</td><td>No usefulness</td><td>0</td></tr>
</table>
ARA
</td><td>2</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(c)</td><td>
Analyse <u>two</u> benefits to MC of Just in Time (JIT) inventory control.
<table>
<tr><th>Level</th><th>Knowledge and application</th><th>Marks</th><th>Analysis</th><th>Marks</th></tr>
<tr><td rowspan="2">2</td><td>Understanding of two benefits of JIT in context</td><td>4</td><td>Developed analysis of two benefits of JIT in context</td><td>4</td></tr>
<tr><td>Understanding of one benefit of JIT in context</td><td>3</td><td>Developed analysis of one benefit of JIT in context</td><td>3</td></tr>
<tr><td rowspan="2">1</td><td>Knowledge of two benefits of JIT</td><td>2</td><td>Limited analysis of two benefits of JIT</td><td>2</td></tr>
<tr><td>Knowledge of one benefit of JIT</td><td>1</td><td>Limited analysis of one benefit of JIT</td><td>1</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table>
Generic benefits may include:
• Reduces waste and overstocking
• Improves financial efficiencies / reduces capital invested in stock
• Reduces storage costs
• Reduces risk of obsolescence

Application may include:
• Large plc with B2B model
• Mission statement is ‘to be the world leader in delivering quality motorcycle components to our customers’
• Motorcycle component industry is very competitive and MC’s customers expect high-quality and a short lead time
• Good relationships with its suppliers ensure that JIT operates efficiently.
• Liquidity management is very important
• Industry average for the acid test ratio is 1
• automation of the production process
</td><td>8</td></tr>
</table>

Question	Answer	Marks
2(c)	**Analysis of benefits may include:** • Reduction in fixed costs as warehouse/storage not required to store raw materials – which improves profit • Storage space no longer needed and could be used to expand production • Decrease in labour costs as fewer people required in warehouse as no need to receive, store, then move inventory to production – increases profit • Reduction in costs should mean increased profit – which could be used towards funding expansion • Improved cash flow as only order inventory as needed to fulfil customer orders – more money for expansion **ARA**	

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

Evaluate the possible impact on MC from introducing process innovation.

<table>
<tr><th>Knowledge and Application (4 marks)</th><th>Marks</th><th>Analysis and Evaluation (7 marks)</th><th>Marks</th></tr>
<tr><td></td><td></td><td>A justified judgement on the importance of the impact</td><td>7</td></tr>
<tr><td></td><td></td><td>A judgement on the importance of the impact</td><td>6</td></tr>
<tr><td></td><td></td><td>An evaluation statement of the given arguments of an impact in context</td><td>5</td></tr>
<tr><td>Understanding of two effects of process innovation in context (*)</td><td>4</td><td>Developed analysis of two effects of process innovation</td><td>4</td></tr>
<tr><td>Understanding of one effect of process innovation in context</td><td>3</td><td>Developed analysis of one effect of process innovation in context</td><td>3</td></tr>
<tr><td>Knowledge of two effects of process innovation</td><td>2</td><td>Limited analysis of two effects of process innovation</td><td>2</td></tr>
<tr><td>Knowledge of one effects of process innovation</td><td>1</td><td>Limited analysis of one effect of process innovation</td><td>1</td></tr>
</table>

** Two effects can come from one impact*

Note: Use of a process innovation (i.e. Capital expenditure is acceptable for Application without explicit reference to process innovation)

Knowledge of effects/impacts of process innovation

- Increases/expands competitive advantage
- Develops performance by decreasing costs
- Enhances quality
- Makes the best use of competencies, skills and/or knowledge
- Builds a culture of continuous learning

</td><td>11</td></tr>
</table>

Question	Answer	Marks
2(d)	**Application is likely to come from:** • Large plc with B2B model • Mission statement is 'to be the world leader in delivering quality motorcycle components to our customers' • Motorcycle component industry is very competitive and MC's customers expect high quality and a short lead time • Good relationships with its suppliers ensure that JIT operates efficiently • Liquidity management is very important • automation of the production process **Analysis likely to come from:** Impact should focus on MC and could be: **positive** • Creates shorter lead times – which may increase orders due to high expectations • Matches high customer quality expectations – increases sales revenue • Links to mission statement (increased quality) – better dividends/marketing opportunity • Reduced costs – eases cash flow pressures/acid test • Increased market share as the industry and suppliers are competitive – better brand image **negative** • Image/reputational damage e.g. if redundancies happen – poor publicity • Results in redundancies – increases costs • Negative impact on morale – lower productivity • Cost of automation – reduces profits/dividends **Other** • Process innovation may improve efficiency however this could result in redundancies – reducing the need for some employees – may be seen as not socially responsible (damage to image, want to be world leaders) and lead to lower sales - reduced revenue and profit • Impact on employees and morale – fear of redundancies, change, could affect quality of work and conflict with the mission statement • The industry and suppliers are competitive, so process innovation will reduce cost pressures and assist MC in being price competitive, however, other firms may also introduce new processes so less of an impact on MC • Lower costs could allow MC to become more price competitive, increasing revenue (if PED is elastic), leading to higher profit and increasing share value, but other firms could retaliate and start a price war resulting in losses for MC **Evaluation is likely to come from:** • An evaluation of the possible impact on MC of introducing process innovation • A judgement in the outcomes of process innovation • An evaluation on the level of argument • What the judgement/evaluation may depend on: cost, reputation, customer reaction, supplier ability to deliver quantities of inventory, sources of finance, shareholder expectations	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(d)</td><td>
<table>
<tr><td>K</td><td>APP</td><td>AN</td><td>DEV</td><td>EVAL</td></tr>
<tr><td>Decreases costs</td><td>Helps ATR of 0.9:1</td><td>Which improves shareholder value</td><td>So the $4mn cap ex will be approved</td><td rowspan="2">The impact is likely to be positive

As the investment into new machinery will improve lead time and quality

Which is likely more important to business customers than a reputation for laying off staff</td></tr>
<tr><td>Increases redundancies</td><td>From $4mn capital expenditure into automation</td><td>Increases reputational damage</td><td>Which could be used by competitors negative advertising</td></tr>
</table>
</td><td></td></tr>
</table>