Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/22**

Paper 2 Business Concepts 2 **May/June 2023**

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.

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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.

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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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Annotations and their Use

Annotation	Use
✓	As an indication of relevant and rewardable content. Better to put these in the body of the answer.
NAQ	Used when the answer or parts of the answer are not answering the question asked.
BOD	Used when the benefit of the doubt is given in order to reward a response.
TV	Used when parts of the answer are considered to be too vague.
K	Indicates knowledge and understanding of the concepts and issues relating to the question.
APP	Indicates that there is specific application to the context of the question.
AN	Indicates where the answer has demonstrated analysis.
EVAL	Indicates where the answer has demonstrated evaluation.
REP	This indicates where content has been repeated.
SEEN	Indicates that content has been recognised but not rewarded.
L1, L2, L3	Indicates where the answer reaches the required standard.
1, 2, 3, 4, 5, 6	Indicates the number of K, APP, AN and EVAL marks awarded.

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Question	Answer	Marks
1(a)(i)	**Identify <u>one</u> quality an entrepreneur needs for success.** **Indicative content** Identification of a quality ✔ may include: • Creativity • Innovation • Risk-taking • Effective communicator • Ability to negotiate • Confidence • Determination • Hard-working. Accept all valid responses.	**1**

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

Explain the term *opportunity cost*.

<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

AO1 Knowledge and understanding
Knowledge of opportunity cost may include:
- Opportunity cost is the benefits forgone/lost of the next best alternative/when a decision is made.
- What is lost when a decision is made.

AO2 Application
Limited application applies knowledge of opportunity cost to a
- choice/decision **OR** to the lost benefit.

Developed application + applies knowledge of opportunity cost to a
- choice/decision **AND** to the lost benefit.

Application can be made to Markus/OFD or any other scenario/context/business/person.

Accept all valid responses.

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

Question	Answer	Marks
1(a)(ii)		

Exemplar and annotations	Mark	Rationale
The next best alternative that has been given up . For example, if Markus chooses to spend money on customer services and not marketing then the opportunity cost would have been the loss of the marketing benefits.	3	An answer which starts with the knowledge and then applies it to Markus.
The next best thing forgone when making a decision . A business could choose to buy some desks, but they would miss out on being able to buy chairs.	3	Again, knowledge first, followed by application to a decision (choose to buy some desks) and to the lost benefit (not being able to buy chairs).
If a business has £100 and they choose to buy inventory instead of fuel, then the opportunity cost is the lost benefit of the fuel because it has been lost .	3	A different way of answering the question. There is application of both elements of opportunity cost (the choice and the lost benefit) as well as clear knowledge of the concept by the end of the response.
The next best opportunity forgone. For example, when you choose to buy a chocolate bar.	2	Clear knowledge. Some application of a choice, but not the lost benefit.
What you miss out on when a decision is made.	1	Not a perfect definition, but enough to award the knowledge mark. No attempt to apply.
It is about choices that have to be made by a business, for example choosing to buy a new piece of machinery.	0	No knowledge of opportunity cost. Too vague.

<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 the forecast closing balance for August 2023.

Indicative content

Formula to find closing balance = Net cashflow for month + Opening balance (1)

Knowledge that closing balance of one month is the opening balance of the next month (written explanation or demonstration by completing the cash flow forecast) (1)

<table>
<tr><th></th><th>June</th><th>July</th><th>August</th></tr>
<tr><td>Cash sales</td><td>8</td><td>12</td><td>15</td></tr>
<tr><td>Credit sales</td><td>0</td><td>15</td><td>24</td></tr>
<tr><td>Total cash inflows</td><td>8</td><td>27</td><td>39</td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><td>Supplies</td><td>25</td><td>32</td><td>34</td></tr>
<tr><td>Utilities</td><td>3</td><td>3</td><td>4</td></tr>
<tr><td>Rent</td><td>15</td><td>15</td><td>15</td></tr>
<tr><td>Salaries/wages</td><td>10</td><td>11</td><td>11</td></tr>
<tr><td>Operating expenses</td><td>5</td><td>7</td><td>8</td></tr>
<tr><td>Total cash outflows</td><td>58</td><td>68</td><td>72</td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><td>Net cash flow</td><td>(50)</td><td>(41)</td><td>(33)</td></tr>
<tr><td>Opening balance</td><td>10</td><td>(40)</td><td>(81)</td></tr>
<tr><td>Closing balance</td><td>(40)</td><td>(81)</td><td>(114)</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>
Final answer for X = (114) (1)
Answer = ($114 000) or –114 000 allow –114 (3)
OFR applies
Allow 2 marks for $114 000 or 114 000 or 114
<table>
<tr><td>Marks</td><td></td><td></td></tr>
<tr><td>3 marks</td><td>Correct answer (including minus)
(114 000) or –114 000 allow –114 and (114)</td><td>Working and $ do not matter.
Allow brackets or minus sign to denote a negative number.
Must be three ✓ to denote the three marks.</td></tr>
<tr><td>2 marks</td><td>Two of the following:
• Correct formula
• Correct calculation of Net Cash Flow (33) or -33
• Correct identification of opening balance (81) or -81
OR
An incorrect answer with one mistake allowing OFR for final stage.
OR
$114 000 or 114 000 or 114 (no minus)</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 calculation of Net Cash Flow (–33)
• Correct identification of opening balance (–81)</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> factor that will influence Markus' choice of a source of finance.

<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
AO1 Knowledge and understanding
Knowledge of a factor that may affect the choice of source of finance:
- Cost of finance
- Flexibility
- Need to retain control
- The use/reason/amount needed
- Level of existing debt/cashflow.

AO2 Application
Limited application, applies knowledge to Markus/OFD once.
Developed application + applies knowledge to Markus/OFD twice.

Application of a factor may include:
- OFD is a new business
- OFD will be a private limited company
- Markus will have limited start-up funds
- OFD will operate in a highly competitive market
- Data from Table 1.1

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

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

- Answer from **Q1b(i)** (OFR applies)
- OFD will offer customers one month trade credit
- OFD's suppliers may insist on payment on delivery (immediate payment).

Accept all valid responses.

<table>
<tr><th>Exemplar and annotations</th><th>Mark</th><th>Rationale</th></tr>
<tr><td>A factor would be flexibility, because OFD needs $40 000 in June but this increases to $114 000 by August.</td><td>3</td><td>Flexibility is a reasonable factor, explained in the specific context of OFD/Markus by using the data in Table 1.1.</td></tr>
<tr><td>Markus may want to keep control of OFD, so he would not want to sell any of the shares of the new private limited company.</td><td>3</td><td>Keeping control is and there are two specific pieces of context based on this so two .</td></tr>
<tr><td>OFD is a new business and Markus has limited start-up funds so the most important factor is how much debt he already has.</td><td>3</td><td>Although the appears first, it cannot be awarded until the has been found. However, there is obvious , so you can go back and award the .</td></tr>
<tr><td>Markus chose trade credit so that he can have inventory which is vital to a new business .</td><td>2</td><td>The fact that Markus chose trade credit is irrelevant, however the use of the source of finance is . The context of new business linked to this is reasonable , but only one point of application.</td></tr>
<tr><td>How much it costs because the more it costs the worse his cashflow will get. If the cashflow is poor, he may build up debts and the business might ultimately fail.</td><td>1</td><td>Knowledge of a factor. The rest of the answer is not applying it to the context, so (Not Answering Question).</td></tr>
<tr><td>Markus has chosen trade credit, which may mean he can improve his cashflow in June by reducing the outgoings by $25 000. This means that the closing balance will only be ($15 000) and mean that he may only need a small overdraft .</td><td>0</td><td>Although there is some relevant context, there is no knowledge of a factor, so no marks can be awarded.</td></tr>
</table>

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

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

Analyse <u>two</u> benefits to OFD of offering induction training to all employees.

<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>

Annotate the first benefit in the left-hand margin and the second benefit in the right-hand margin.

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

Question	Answer	Marks
1(c)	**Indicative content** **AO1 Knowledge and understanding** Knowledge of the benefits of induction training (max 2 s), may include: • Understanding workplace issues • Knowing who you are working with; organisational structure • Information about basic terms and conditions, e.g. holiday entitlement • Information about the goods/services sold, e.g. desks and office chairs • IT training to help new employee use the IT system • Basic customer service training/expectations • How to ensure that the products are fit for purpose **AO2 Application** *Max one for application in the first benefit and max one for application in the second benefit,* including; • OFD is a new business (do not reward repetition of the question) • Entrepreneur • Private limited company • Opening in four weeks' time • Business took several months to set up • Limited start-up funds • Eight employees; five employees in warehouse, three in customer service • All employees are new / undergo induction together • Two-week induction training • Competitive service • High-quality customer service • Operate in a warehouse (but does not manufacture furniture) • Sell direct to customers (online retailer).	

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

AO3 Analysis

Limited analysis – *candidate shows one link in the chain of analysis.*
Developed analysis *candidate shows two or more links in the chain of analysis or a two-sided analysis.*

- All of the five employees are new and undergo induction together. It will help to 'build' the new team by helping them get to know each other so they will start to work productively quicker.
- As it is a new business, the employees can agree the processes/procedures to operate and solve any potential issues before opening.
- Markus is keen to offer a high-quality customer service. The induction training is an ideal time to embed a high-quality culture throughout the business.
- The employees will become familiar with the technology used to operate the online retail business.
- The training will motivate the employees as they will feel valued by their new employer which will encourage them to work hard.
- The employees will settle in quicker as a result of the induction training, reducing labour turnover. This will save recruitment costs as Markus will not have to replace employees.

Accept all valid responses.

Exemplar and annotations

<table>
<tr><th>AO1 Knowledge</th><th>AO2 Application</th><th>AO3 Analysis</th></tr>
<tr><td>The workers will understand the health and safety rules</td><td>by spending two weeks on the induction training.</td><td>The employees are less likely to have an accident which could reduce the productivity of OFD which may mean that the business is more likely to survive its first year of trading.</td></tr>
<tr><td>It will improve teamwork</td><td>of the three customer service assistants</td><td>which may mean that the customers get better customer service, feel loyal to the business and repeat purchase.</td></tr>
</table>

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

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(d)</td><td>Evaluate whether Markus needs accurate cost information before setting up OFD.
<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>
</table></td><td>12</td></tr>
</table>

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

<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>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>

Indicative content

AO1 Knowledge and understanding
Knowledge of cost information (max 2 s), including:
- Costs are the amounts a business incurs when producing products and services.
- Cost information data may be required to set up and operate the business, including pricing.
- Cost information allows a business to calculate profit, profit margins, break-even etc.
- There are many different types of costs: fixed, variable, direct and indirect.
- A business may not have actual cost information – only estimates.

AO2 Application
Limited application applies knowledge of cost information to OFD once.
Developed application + applies knowledge of cost information to OFD twice.

- OFD is a new business / opening in four weeks
- Use of data from Table 1.1
- OFD will operate in a competitive market
- Limited start-up funds

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

Question	Answer	Marks
1(d)	• Five warehouse employees • Three customer service assistants **AO3 Analysis** *Limited analysis – candidate shows one link in the chain of analysis.* *Developed analysis – candidate shows two or more links in the chain of analysis.* • Cost information is used to create financial forecasts. If the data is inaccurate, Markus' predictions will be incorrect and may lead to him overspending and getting into debt. • Cost information supports the cashflow forecast which will be used for decision making. Inaccurate information will lead to poor decision making, e.g. pricing of products or applying for finance. • It is challenging to predict everything that could happen, especially for a new business. Unexpected events could have major implications for costs. • Cost information will be used to make profit predictions and monitor/improve business performance. **AO4 Evaluation** **Annotate evaluative judgements in the left-hand margin and evaluative comments in the right-hand margin.** *Limited evaluation - unsupported judgement and/or a weak attempt at evaluative comment* *Developed evaluation – supported judgement and/or reasonable evaluative comment* *Developed evaluation in context - supported judgement in context and/or reasonable evaluative comment in context.* • Relative importance of cost information – are other issues more important, e.g. potential customer demand, marketing, qualities/skills of the entrepreneur setting up the business • Accuracy depends on the Markus' market research and business knowledge/experience. Significant events may occur that could impact the accuracy of the cost information, e.g. global pandemic • Is this the first business that Markus has set up/run? • The impact of inaccurate cost predictions may be reduced by higher-than-expected income. • The more time spent on cost predictions, the more likely they are to be accurate. However, is the benefit of accurate cost information worth the opportunity cost of the time spent? • A judgement that other factors are more important than cost information. Accept all valid responses.	

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Question	Answer	Marks
1(d)	**Exemplar and annotations** Markus needs accurate cost information so that he can accurately price his products. This is particularly important as OFD is operating in a competitive market. With accurate cost information, Markus can make sure the price includes an adequate profit margin and is not too high which could put off the business customers and reduce sales which could lead to OFD not making any profit. Therefore, Markus is highly unlikely to get his pricing strategy correct without accurate cost information and pricing is likely to be the most important aspect in this highly competitive market. However, this depends on whether Markus can obtain accurate cost information. The data can only be an estimate as OFD is a new business, and he might be better to just copy the cost and price information of one of his competitors and save the time involved in calculating accurate costs for OFD. AO1 – 2 marks AO2 – 2 marks AO3 – 2 marks AO4 – 6 marks TOTAL – 12 marks	

Question	Answer	Marks
2(a)(i)	**Identify <u>one</u> stakeholder of a business.** Identification of a stakeholder ✓ may include: • Employees • Managers/directors • Customers • Shareholders • Lenders, e.g. banks • Local community (not public) • Government • Suppliers. Accept all valid responses.	**1**

Question	Answer	Marks
2(a)(ii)	**Explain the term *sustainability*.**	**3**

AO1 Knowledge and understanding 1 mark	AO2 Application 2 marks
	2 marks Developed application of **one** relevant point to a business context.
1 mark Knowledge of **one** relevant point is used to answer the question.	**1 mark** Limited application of **one** relevant point to a business context.
0 marks No creditable response.	**0 marks** No creditable response.

Indicative content

AO1 Knowledge and understanding
Knowledge of sustainability < may include:
- Sustainability refers to maintaining operations/production at the current level.

Allow (but do not require) knowledge of sustainability from an environmental perspective, which may include:
- the ability to maintain an environmental balance now and in the future for our planet's natural environment
- to conserve natural resources to support the wellbeing of current and future generations.

AO2 Application
Limited application APP applies knowledge of sustainability to
- current operations/production **OR** future operations/production.

Developed application APP + APP applies knowledge of sustainability to
- current operations/production **AND** future operations/production.

Application can be made to MXB or any other scenario/context/business/person.
Allow application to environmental sustainability.

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)(ii)</td><td>Accept all valid responses.
<table>
<tr><th>Exemplar and annotations</th><th>Mark</th><th>Rationale</th></tr>
<tr><td>Sustainability is about maintaining production levels . For example, MXB had to make sure its current production of mountain bikes was not damaged by launching the electric scooters.</td><td>3</td><td>An answer which starts with the knowledge and then applies it to MXB.</td></tr>
<tr><td>Keeping the natural environment safe now . A business could start using glass, to reduce dependence on single use plastic.</td><td>3</td><td>Sustainability from an environmental perspective.</td></tr>
<tr><td>Looking after operations today to secure future operations. So, MXB can make sustainable electric bikes in the future.</td><td>2</td><td>Clear knowledge. Some application to the future, but not now.</td></tr>
<tr><td>Sustainability is a social goal about the ability of people to co-exist on Earth over a long time..</td><td>1</td><td>A reasonable definition with the idea of now and the future.</td></tr>
<tr><td>Sustainability is about looking to the future.</td><td>0</td><td>Too vague. Some idea of the future, but not about maintaining now.</td></tr>
</table></td><td></td></tr>
</table>

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Question	Answer	Marks
2(b)(i)	**Refer to Fig. 2.1. Calculate MXB's market share of the mountain bike market in country J.** Formula to calculate market share in words = $\frac{\text{Sales revenue for MBX}}{\text{Total sales revenue for the market}} \times 100$ (1) OR Formula to calculate market share in numbers = $\frac{\$265(000)}{£1203(000)} \times 100$ (1) 1 mark for calculating the sales revenue for the total market Total sales revenue for the market = 265 + 85 + 178 + 230 + 185 + 95 + 115 + 50 = $1 203 (000) Market share = (265 / 1203) × 100 **= 22.028% or 22.03% or 22%**	**3**

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

Exemplar and annotations

<table>
<tr><th>Marks</th><th>Answer</th><th>Rationale</th></tr>
<tr><td>3 marks</td><td>Correct answer
22.028 or 22.03 or 22
Can be expressed as a ratio 0.22:1</td><td>**Working and % do not matter**.
Must be three ✓ to denote the three marks.
Correct rounding must be applied.</td></tr>
<tr><td>2 marks</td><td>**Both** of the following:
• Correct formula
• Correct calculation of total market sales revenue (1203)

OR
An incorrect answer with one mistake allowing OFR for final stage.
OR
0.22 (has not completed final stage to multiply by 100)
OR
A correct answer from an inverted formula (453.96 – OFR)
OR
A correct answer with incorrect rounding (ie 22.02)</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 calculation of total market sales revenue (1203)</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>2(b)(ii)</td><td>

Explain <u>one</u> reason why MXB's objectives may change.

<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

AO1 Knowledge and understanding
Knowledge of a reason why objectives might change may include:
- changing internal factors, e.g. new Managing Director
- changing external factors, e.g. new competitors or technological changes
- the achievement of previous objectives.

AO2 Application
Limited application, applies knowledge to MXB once.
Developed application + applies knowledge to MXB twice.

Application of a reason may include:
- MXB has traded for 15 years
- Public limited company / shares sold publicly
- Market leader for mountain bikes
- Target market are high-income leisure users
- Sold in limited number of specialist bicycle shops
- Use of Fig 2.1

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

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

- New to electric scooter market, since launching a new electric scooter
- Sales revenue for mountain bikes fell by 12% over the past year
- Static demand for mountain bikes.

Accept all valid responses.

<table>
<tr><th>Exemplar and annotations</th><th>Mark</th><th>Rationale</th></tr>
<tr><td>Changing demand , MXB's sales have declined by 12% despite market demand remaining static .</td><td>3</td><td>A reasonable reason for objectives changing, applied using the data from the text (12% decline and market remaining static).</td></tr>
<tr><td>MXB might lose market share to a competitor such as PE which has the second largest market share with 19%.</td><td>3</td><td>A change in the market is reasonable and reference to the data is . The table can provide both s.</td></tr>
<tr><td>An external shock like a pandemic might mean that people are stuck indoors all the time. This would reduce the sales of MXB's key product of mountain bikes.</td><td>2</td><td>Knowledge of a reason and applied to MXB's main product.</td></tr>
<tr><td>If MXB had a new Managing Director they are likely to come in with their own aims and objectives. This would mean that the business might change direction or focus on another market entirely. This could be the key to future sales and success for MXB.</td><td>1</td><td>A new MD would be a reason, but the rest is not specifically related to MXB.</td></tr>
<tr><td>Objectives set the direction for the business and allow stakeholders to know where the business is going. Without objectives MXB is unlikely to remain successful, despite it being the market leader. Rani reviews the objectives regularly.</td><td>0</td><td>Although there is some relevant context, there is no knowledge of a reason why objectives may change, so no marks can be awarded.</td></tr>
</table>

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

<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 MXB of growing by launching a new product range of electric scooters.
<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>
Annotate the advantage in the left-hand margin and the disadvantage in the right-hand margin.
</td><td>8</td></tr>
</table>

Question	Answer	Marks
2(c)	**Indicative content** **AO1 Knowledge and understanding** Knowledge of advantages of launching a new product / growth / increasing product portfolio (max 1 s), may include: • Increase revenue / sales • New target market • Strengthen brand image • Spread risk • Reduce average costs. Knowledge of disadvantages of launching a new product / growth / increasing product portfolio (max 1 s), may include: • Increase costs • Risk of new/unknown market • Risk of damaging brand image • Lack of market research / unknown market. **AO2 Application** *Max one for application in the advantage and max one for application in the disadvantage.* • MXB's current market is high quality mountain bikes • Current target market is high-income leisure users • New target market is urban youth market • Market for e-scooters is expanding in country J • Use of Fig 2.1 • MXB has (successfully) traded for 15 years in current market • $265 000 sales revenue • Static demand for mountain bikes • Mountain bikes are currently sold in specialist bicycle shops • Public limited company / shares sold publicly • Sales revenue for mountain bikes fell by 12% over the past year	

Question	Answer	Marks
2(c)	**AO3 Analysis** *Limited analysis – candidate shows one link in the chain of analysis.* *Developed analysis candidate shows two or more links in the chain of analysis or a two-sided analysis.* Analysis of advantages may include: • A way to enter the electric scooter market. Electric scooters are becoming increasingly popular. • MXB can develop new skills and product knowledge regarding the electric scooter market. • May benefit from economies of scale – the products may use similar materials/components. • Internal/organic growth is generally less expensive than external growth. • Electric scooters target a different market segment which helps 'spread risk'. Analysis of disadvantages may include: • Urban youth market may not be attracted to MXB brand as the brand is associated with mountain bikes. • The electric scooter market may be dominated by well-known/larger competitors so difficult to enter. • MXB specialises in mountain bikes so has no knowledge/experience of the electric scooter market. • MXB may need to purchase expensive new equipment and train its staff so they can create the electric scooters. • High research and development costs from creating a new product. • Internal/organic growth is generally a slower way to grow a business than external growth. Accept all valid responses.	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(c)</td><td>Exemplar and annotations
<table>
<tr><th></th><th>AO1 Knowledge</th><th>AO2 Application</th><th>AO3 Analysis</th></tr>
<tr><td>Exemplar of an advantage
Annotations for the advantage should be placed in the left-hand margin.</td><td>The new product may help MXB increase sales</td><td>by targeting a totally new market of urban youths.</td><td>This could increase the brand awareness of MXB in this new market which is likely to allow MXB to survive if the mountain bike market goes into decline.</td></tr>
<tr><td>Exemplar of a disadvantage
Annotations for the disadvantage should be placed in the right-hand margin.</td><td>However, this may risk damaging MXB’s reputation</td><td>in the mountain bike market, where it has been established for 15 years.</td><td>This could lead to MXB losing even more sales of mountain bikes which may reduce the overall profitability of the business.</td></tr>
</table></td><td></td></tr>
</table>

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

Evaluate how MXB can change its marketing mix to extend the product life cycle of its range of mountain bikes.

<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>
</table>

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

2(d)

Level	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 2 marks	AO4 Evaluation 6 marks
1	**1 mark** **Limited knowledge** of relevant key term(s) and/or factor(s) is used to answer the question.	**1 mark** **Limited application** of relevant point(s) to the business context.	**1 mark** **Limited analysis** that identifies connections between causes, impacts and/or consequences.	**1–2 marks** **Limited evaluation** • A judgement/ conclusion is made with limited supporting comment/ evidence. • An attempt is made to balance the arguments.
0	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.

Indicative content

AO1 Knowledge and understanding

Knowledge of changing elements of the marketing mix (max 2 s), including:

- The marketing mix (four Ps)
- Product: new, adapt etc, including knowledge of product portfolio analysis (eg PLC, Boston Matrix)
- Price: maintain, increase, reduce etc.
- Place: new channels, new distribution methods etc.
- Promotion: advertising, digital, direct etc.

AO2 Application

Limited application applies knowledge of the marketing mix to MXB's product life cycle of mountain bikes once.
Developed application + applies knowledge of the marketing mix to MXB's product life cycle of mountain bikes twice.

- Market leader for mountain bikes
- Sales revenue for mountain bikes fell by 12% over the past year
- MXB has traded successfully for 15 years
- Public limited company / shares sold publicly

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Question	Answer	Marks
2(d)	Use of Fig 2.1 • Market/demand for mountain bikes is currently static • Mountain bikes are currently sold in specialist bicycle shops **AO3 Analysis** *Limited analysis – candidate shows one link in the chain of analysis.* *Developed analysis – candidate shows two or more links in the chain of analysis.* • Increased promotion – promotions can be expensive and may have minimal impact if the market has reached the maturity stage of the product life cycle and/or other rivals are spending a lot on promotions. Promotions will offer a short-term boost to demand and can increase brand recognition, thereby supporting sales of other types of bikes • New models could be introduced – updating the mountain bike range may stimulate new sales. However, the R&D involved with developing new products could be expensive, and the additional sales may not justify the expenditure. • New brands could be created to help reposition the products. • The price of the mountain bikes could be changed to help stimulate the demand. The pricing strategy could be changed, e.g. if a price skimming approach is used the price could be lowered, or a promotional price discount offered to generate a short term boost in demand. Although the sales revenue generated for every product sold will reduce, the reduction should lead to increased demand which will increase market share and may boost profitability if a large enough increase in the volume sold is achieved. • New markets could be targeted, e.g. new market segments and/or new geographic areas. MXB could sell its mountain bikes to additional countries. • The mountain bikes are currently sold in specialist bicycle shops. MXB could sell its mountain bikes in additional shops and/or online. **AO4 Evaluation** **Annotate evaluative judgements in the left -hand margin and evaluative comments in the right-hand margin.** *Limited evaluation unsupported judgement and/or a weak attempt at evaluative comment* *Developed evaluation supported judgement and/or reasonable evaluative comment* *Developed evaluation in context supported judgement in context and/or reasonable evaluative comment in context.* • The most appropriate extension strategy depends on the budget available. After spending money to develop and launch the new range of scooters the business may not have as much finance available. • Will demand for mountain bikes fall in the future? Is the static demand for the product generally a sign that the product has entered the maturity phase of the product life cycle? • Should MXB focus its resources on electric scooters as this market is expanding?	

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Question	Answer	Marks
2(d)	• Is market share the most important measure of success, or is profitability and/or spreading risk from a diversified product portfolio more important? • The extension strategy may generate a short-term boost to sales/market share, but will it be sustained in the long-term? • Does the MXB brand extend from mountain bikes to electric scooters? Accept all valid responses. **Exemplar and annotations** MXB could reduce the price of their mountain bikes, which may lead to an increase in sales. However, since MXB's consumers are high-income leisure users, a lower price may damage the brand image. Alternatively, MXB could expand their distribution channels and sell in more places than a limited number of specialist bike shops, for example through their own website. Overall, the better solution would be to change the distribution channels as this would be unlikely to damage the brand reputation. MXB already has the highest market share, so it has the most to lose by reducing price, but very little lose by selling on their own website. However, whether this is enough may depend on the actions of the competitors. If PE, the second largest producer, reduces its price, then MXB may have no choice but to also lower their prices to maintain their market share AO1 – 2 marks AO2 – 2 marks AO3 – 2 marks AO4 – 6 marks TOTAL – 12 marks	

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