Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/32**

Paper 3 Business Decision-making **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.

Cambridge International is publishing the mark schemes for the May/June 2023 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

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

Analyse two elements of OV's marketing strategy that will need to change to sell successfully to retailers.

<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>

Note:
- If more than two elements are referred to, reward the best two.
- Focus of question is on elements of marketing that will need to change.
- L2AN (3 marks) is possible for just one point made.

All annotation (K APP AN L2) should be in the left margin.

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

Question	Answer	Marks
1	**Indicative content** Responses may include: **AO1 Knowledge and understanding** Please note that transportation relating to place is not rewardable. Definition of relevant terms (max K 1 mark) • Marketing strategy includes marketing objectives, budget and a coordinated marketing mix. • Difference between B2B (a business selling to other businesses) and B2C (a business selling to consumers) • Market research to understand the market. Knowledge of changes that might need to be made (max K 2 marks): • Understanding of different techniques within the marketing mix such as different forms of promotion and pricing. For example: – Price discounts for bulk purchase. – Promotion through trade fairs and industry magazines. – Changes to packaging. – Product in different sizes, flavours, ingredients. – B2B marketing may focus on building personal relationships, for example, through sales people. **AO2 Application** *Limited application,* APP *applies knowledge to OV once.* *Developed application,* APP + APP *applies knowledge to OV twice.* *Max one* APP *for application for the first element and max one* APP *for application for the second element.* Application is making use of relevant case information not just repeating it. • Marketing is currently B2C but targeting supermarkets will be B2B. • Suitability of the existing marketing: premium prices, promotion via social media and digital platforms. • Use of relevant information. For example: – Growing market for Greek yogurt ($9bn globally) – New competitors in the market – Competitive market for yogurt • Alternative promotion applied: – Food industry magazines – Supermarket industry magazine • Alternative pricing applied – need for supermarket to be able to make an attractive profit margin.	

Question	Answer	Marks
1	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* Chains of reasoning highlighting likely elements of marketing strategy: • Price reductions more important to allow a margin for supermarkets AN and therefore compete with existing products on the shelves. L2 AN • Promotion more likely to include trade shows, email marketing, trade (industry) press, website, production of brochures to target potential customers and therefore attract orders. AN • Promotion on TV to build brand name and attract consumers AN so that there is demand to encourage supermarkets to adopt. L2 AN • Salespeople may be important for building trust and therefore motivating supermarkets to buy OV's products. AN • B2B marketers must persuade decision makers of a company therefore information must be concise and clear. AN • Changes to product such as ingredients to meet the expectations of supermarket customers AN and therefore increase sales. L2 AN Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>

Analyse two benefits to OV of the methods it uses to communicate with 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>

Note:
- Only reward benefits.
- If more than two benefits are referred to, reward the best two.
- L2AN (3 marks) is possible for just one point made.

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

Question	Answer	Marks
2	Responses may include: **AO1 Knowledge and understanding** Definition of internal communication and/or possible methods (max K 1 mark) • Definition or explanation of internal communication – communication between different people or groups within the organisation – and possible methods including meetings, reports, notice boards, memos and email. • Definition of one and/or two-way communication. • Communication with employees could also be through external methods such as press reports and social media. Benefits of internal communication used by OV (max K 2 marks) • Avoid misunderstanding of what is required. • To allow coordination of activities within a business. • To enable employees, have some input into business decision-making. • To give managers feedback from other employees. • To motivate employees or avoid demotivation. • To avoid the spread of rumours and fake information. • Cut costs. • Low labour turnover. **AO2 Application** *Limited application,* APP *applies knowledge to OV once.* *Developed application,* APP + APP *applies knowledge to OV twice.* *Max one* APP *for application for the first benefit and max one* APP *for application for the second benefit.* Application is making use of relevant case information not just repeating it. • Aluna meets with factory workers each week. Two-way communication encouraged in meetings – discussion of operational problems. • Open-plan office giving team members access to directors. • Intranet to provide company information and plans to employees. • Monthly bulletin with contributions from employees. • Inclusive culture that OV has developed.	

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Question	Answer	Marks
2	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Greater commitment from workforce if they feel that their concerns are heard. This could result in lower labour turnover and higher productivity AN and therefore reduce costs and lead to an increase in profit. L2 AN • Employees more likely to provide ideas for improving operations resulting in more efficient production and lower costs AN. This can result in higher profit. L2 AN • Less chance of misunderstanding leading to industrial action and disruption to production AN and therefore dissatisfied customers leading to a reduction in sales. L2 AN • Development of a positive organisational culture resulting in greater efficiency in use of resources. AN • Communication methods used will motivate employees (Herzberg, Mayo) and therefore increase productivity AN which will reduce unit costs and increase profit. L2 AN Accept all valid responses.	

Question	Answer	Marks
3(a)	**Refer to Table 1.1. Calculate, for 2023, the current ratio.** Responses may include: CR = Current Assets / Current Liabilities 0.6 / 0.8 = 0.75:1 (1) Accept 0.75 OR 3:4 or ¾ (1) Note: 0.75m or 0.75 / 1m (0)	**1**

Question	Answer	Marks
3(b)	**Refer to Table 1.1. Calculate, for 2023, the return on capital employed (ROCE).** **Indicative content** Responses may include: ROCE = Profit from operations / capital employed × 100 **OR** Capital employed = NCL + shareholder capital **OR** Capital employed = issued shares + reserves + non-current liabilities (1 mark if no relevant calculation) **Note:** ROCE = Net profit / capital employed × 100 is incorrect and not rewardable. CE = 7 + 3.2 = 10.2 (1) ROCE = 1.3 / 10.2 × 100 (2) = 12.7% OR 13% OR 12.75% (3) Accept 12.7 or 13 or 12.75 (3) Allow 12.8 (3) Alternative calculations 2022 ROCE is 9.9% (2) Accept 9.9 (2) 1.3 / 3.2 × 100 = 40.6% (2) NCL not included in calculation of CE 1.3 / 7 × 100 = 18.6% (2) Shareholder equity not included in calculation of CE	3

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>Evaluate whether shareholders will benefit from OV changing 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
3(c)	Responses may include: **AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of the key characteristic(s) of a public limited company* ***or*** *knowledge of shareholder goals.* *Developed knowledge* K + K *+ will be demonstrated through knowledge of characteristic(s) of a public limited company* ***and*** *knowledge of impact on shareholders.* Key characteristics of a plc • Meaning of converting to plc – shares publicly available on a stock exchange. • Process of becoming a PLC will include issuing a prospectus and having the share issue underwritten. • Greater finance from shareholders as a plc. Advantages/disadvantages of ltd v plc legal status • Greater divorce between ownership and control of business as a plc. Dilution of control as plc. • Increased risk of takeover increased as plc • Plc status and link to long term growth of business • Reference to financial information and ratios e.g. gearing • Greater access to external funding through debt finance **AO2 Application** *Limited application,* APP *applies knowledge to OV once.* *Developed application,* APP + APP *applies knowledge to OV twice.* • Current gearing of 69% is high and has increased from 2022. • Capital cost of expansion plans and additional budget required for marketing. • Aluna is ambitious for OV to expand. • Application of changes to financial performance e.g. changing profitability and liquidity. – Operating profit margin has increased from 9% of 10.8% – ROCE has increased from 9.9 to 12.7% – Liquidity has declined from 0.8:1 in 2022 – Cost of going public could be very high – Only three shareholders • Dividends paid to shareholders unchanged at $100 000.	

Question	Answer	Marks
3(c)	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Gearing is high so expansion funded by borrowing would potentially be difficult as banks may consider the business too risky AN so conversion to plc could fund plans for expansion resulting in greater long-term success of OV which will benefit shareholders. L2 AN • Risk of takeover is increased if convert to plc and therefore Aluna and other shareholders could lose control of the business AN and therefore prevent her from achieving her objectives for the business to be more socially responsible. L2 AN • As a plc there may be increased tension between new shareholders who want high dividends / short-term profit and existing shareholder goals which will prevent existing shareholders achieving their objectives. AN • Borrowing for expansion could result in greater reward for Aluna and other shareholders than raising capital through conversion as profits made will be shared by just the existing shareholders. AN • Conversion to PLC will make it easier for existing shareholders to sell shares and therefore make a capital gain. AN **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • A judgement over whether shareholders will benefit from conversion of OV to a plc. • What the judgement may depend on: – Loss of control for existing shareholders. – What proportion of shares remain with the existing shareholders. – Likely impact on growth of OV and impact on profits. – Dividends paid are low. Will this be sufficient to attract shareholders who seek short term gain? – the potential conflict between the short-term profit objectives of new shareholders and OV's sustainability culture. • Weighing up of relevant arguments • Short/long term impact on shareholders and the business • Which is most important factor to shareholders? • Reliability of financial data given in Table 1.1 will impact whether new shareholders benefit. Accept all valid responses.	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(a)</td><td>Refer to Table 1.3. Calculate, for location X, the accounting rate of return (ARR).
<table>
<tr><th>Rationale</th><th>Content</th><th>Marks</th></tr>
<tr><td>Correct answer (units not required).
Working not required.</td><td>ARR = 25% OR 25</td><td>4</td></tr>
<tr><td>Statement of correct calculation OR
Average profit AND Average investment.
Profit used in final calculation OR
Capital cost used in final calculation OR
Capital cost not subtracted
Not multiplied by 100</td><td>ARR = 2 / 8 × 100
$2m & $8m
12 / 8 × 100 = 150%
2 / 10 × 100 = 20%
3.67 / 8 × 100 = 45.9%
2 / 8 = 0.25</td><td>3</td></tr>
<tr><td>Average profit OR
Profit and capital cost used in final calculation OR
Capital cost not deducted and capital cost used in final calculation OR
Profit and average investment calculated</td><td>12 / 6 = $2m
12 / 10 × 100 = 120%

3.67 / 10 × 100 = 36.7%

$12m & $8m</td><td>2</td></tr>
<tr><td>Profit OR
Average investment OR
Correct formula:
ARR = Average profit / average investment × 100 OR
Average investment = (initial capital cost + residual capital value) / 2</td><td>22 – 10 = $12m
(10 + 6) / 2 = $8m</td><td>1</td></tr>
<tr><td>No creditable content</td><td></td><td>0</td></tr>
</table>
Note:
If correct answer of 25(%) is given, then 4 marks even if no working shown. All other answers must show working for reward or clearly identify what has been calculated e.g. average profit = $2m</td><td>4</td></tr>
</table>

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

Evaluate which location OV should choose to build its factory.

<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>

Question	Answer	Marks
4(b)	Responses may include: **AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of one factor in the decision.* *Developed knowledge* K + K *will be demonstrated through knowledge of two or more factors in the decision.* Factors influencing choice of location: • Costs • Nearness to market • Preferences of owner • Competition • Risk **AO2 Application** *Limited application,* APP *applies knowledge to OV once.* *Developed application,* APP + APP *applies knowledge to OV twice.* • Location X takes 4 months less to build • Capital cost is higher for Y. Link to gearing • Capacity utilisation within three years higher at location X • Lower wages at Location X • Better availability of skilled factory workers at location Y • ARR higher for Location X (OFR) • CSR considerations: – Environmental impact of each option. X is on agricultural land. – High unemployment in Location X. Greater benefit to society to locate there. – Transport links and impact on pollution. **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Higher capital cost of location Y (and high gearing) will make this a less attractive location due to need to raise more finance. AN	

Question	Answer	Marks
4(b)	• Location X will reach high-capacity utilisation more quickly which aids profit making AN but may limit the potential for growth of OV if marketing is successful. L2 AN • Estimated time to build will impact cashflow which could be important for OV as it has relatively low liquidity. AN • Quicker time to build could also result in achieving payback more quickly. AN • Location Y is a more sustainable option as it is in an industrial area AN and therefore likely to be less opposition from environmental groups. L2 AN As Greek Yogurt has been criticised in media OV may wish to avoid making contentious decisions. **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Most important factor with justification. – Long term growth – Profit • Location Y requires a higher capital outlay – are funds available internally or will this have to be borrowed? How significant is the difference in capital cost to the decision? • Management attitude to risk. • Y is better as it is potentially more profitable, and OV will aim for profitable growth. • Short V Long term. X may be better in long term because it gives greater room for expansion. • Balance of factors to consider. Accept all valid responses.	

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

Evaluate the impact on OV of the growing importance of sustainability.

<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
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Question	Answer	Marks
5	**Indicative content** Responses may include: **AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of sustainability or knowledge of how the increasing importance of sustainability affects OV.* *Developed knowledge* K + K *will be demonstrated through knowledge of sustainability and knowledge of how the increasing importance of sustainability affects OV.* Knowledge of sustainability • Sustainability refers to activities that meet the needs of the present without compromising the ability of future generations to meet their needs. • Link to corporate social responsibility. Impact on OV • Need to consider environmental impact when making decisions to demonstrate commitment to sustainability. • Increased costs. • Enhance brand image. • Support increase in price. • Sourcing of supplies. **AO2 Application** *Limited application,* APP *applies knowledge to OV once.* *Developed application,* APP + APP *applies knowledge to OV twice.* • Mission statement commitment. • Organic nature of the product – more environmentally sustainable. • Negative publicity regarding Greek yogurts regarding damage to environment: acid whey, water usage, sale of acid whey to farmers. • Sustainability of distribution direct to consumer. • Link to CSR – OV gives 5% of its profits to educational projects in low-income countries. • Increasingly competitive market. • Reference to development of plant-based yogurts.	

Question	Answer	Marks
5	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Using local suppliers of milk to reduce the carbon footprint of transport. • Will affect all strategic decisions as OV will need to consider the environmental impact. For example, the decision to open a new factory. OV may need to use materials that reduce environmental impact and ensure energy efficiency. AN This will impact costs. L2 AN • Need to conduct environmental audits to measure impact of OV and provide evidence of commitment to sustainability. AN Otherwise, the business may be open to criticism of greenwashing. • Need to reduce carbon footprint will mean that OV has to change distribution channels of individual deliveries to consumers. AN • Can OV continue to sell acid whey to farmers? Cost of not doing so. Stockpiling of acid whey will increase costs. AN • R & D into alternative uses of acid whey will lead to an increases in costs. AN • Benefits of sustainability in terms of promoting brand image AN and increasing sales as a result. L2 AN • How sustainability can give OV a USP and ability to take more control over pricing AN and therefore increase profits. L2 AN • Cost of sustainability – ingredient costs. Increased costs will reduce profit margins AN and could therefore reduce profit. L2 AN • Danger of claiming a sustainable approach if it is not followed. This could lead to backlash and loss of image AN and therefore sales. L2 AN **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Judgement on the balance between costs and benefits of sustainability to OV. • Significance may depend on competitor behaviour. Can OV afford not to take sustainability seriously? • Given the OV's mission statement there is a need for OV to address the issues highlighted by the newspaper report. • Risk of future legal changes to protect the environment so might be important to make product/production changes before these are proposed or introduced. Accept all valid responses.	

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