Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/33**

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 how <u>two</u> barriers to communication resulting from LT's online operations may impact the business.
<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 barriers.
• If more than two barriers are referred to, reward the best two.
</td><td>8</td></tr>
</table>

Question	Answer	Marks
1	**Indicative content** Responses may include: **AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of the concept of barriers to communication or knowledge of possible impacts of barriers.* *Developed knowledge* K + K *will be demonstrated through knowledge of the concept of barriers to communication and knowledge of the possible impacts.* Knowledge of barriers to communication • Definition of barriers to communication – factors which may prevent a message being clearly transmitted between the sender and receiver(s). • Generic barriers such as noise, language, distance, technology failure. Knowledge of impacts of barriers to communication • Generic impacts such as information not getting through or misunderstandings. **AO2 Application** *Limited application,* APP *applies knowledge to LT once.* *Developed application,* APP + APP *applies knowledge to LT twice.* *Max one* APP *for application for the first barrier to communication and max one* APP *for application for the second barrier to communication.* • LT based in Asia but offers tours by local guides in many countries, there are likely to be some language and cultural barriers. • The on-line business model relies on internet infrastructure for communication between customers, LT and guides. • Time differences may also be an issue, for example if there are last minute changes to tour details. • The LT booking system also relies on honest information being put up on the website about guides and tours. • It may be a serious problem if information about customer tour requirements gets 'lost' in the system.	

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 OR offers a two-sided analysis.* • Development of application points, in terms of the likely impacts on LT when communication is not effective and impact on future sales and revenue. • Barriers such as language and culture may result in misunderstanding of customers' needs and wants leading to dissatisfaction, bad reviews on social media and 'trip advisor' type sites. AN leading to lower future sales. L2 AN • Any incorrect or misrepresented information also may mean that tours do not meet customers' expectations AN leading to bad reviews and damage to reputation. L2 AN • Failure of internet infrastructure has the potential to mean that tours cannot be booked, may also cause lack of consumer confidence, AN as well as loss of revenue. L2 AN Accept all valid responses.	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>
Analyse <u>two</u> ways LT can measure whether tours meet customers' expectations.
<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 methods are referred to, reward the best two.
</td><td>8</td></tr>
</table>

Question	Answer	Marks
2	**Indicative content** Responses may include: **AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of the concept of meeting customers' expectations or knowledge of possible ways to measure this.* *Developed knowledge* K + K *will be demonstrated through knowledge of the concept of meeting customers' expectations and knowledge of the possible ways to measure this.* Knowledge of meeting customer expectations • Meaning of customer expectations, such as customers receive the service that they anticipate. • Meaning of quality and link with customer expectations, such as quality being defined as meeting customer needs. Knowledge of how this may be measured • Generic ways to measure quality such as customer feedback questionnaires or reviews on trip advisor or similar. **AO2 Application** *Limited application,* APP *applies knowledge to LT once.* *Developed application,* APP + APP *applies knowledge to LT twice.* *Max one* APP *for application in the first way to measure whether expectations are being met and max one* APP *for application in the second way to measure this.* • The guides are taking customers on sightseeing tours, probably a few hours or full days, but possibly longer. • The guides have the responsibility of making all the relevant bookings of transport and other arrangements. It would be fair to say that the quality of the tours depends on them. • Some of the guides will have very specialist knowledge about places and may take customers to places they would not usually go with standard tours. • LT customers may use the company in a number of worldwide locations, especially business travellers. • LT have had favourable reviews on travel websites. • Customers will be asked by LT to review their experience online after taking a tour. In the case of the group tours from the cruise ships this could be done at the end of the tour.	

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 OR offers a two-sided analysis.* • Development of application points • Online feedback after the tour is taken will be more accurate than if the guides ask for written feedback before they leave the customer, because travellers will not feel under pressure. AN These comments may then be converted into a number of 'stars' or similar, which can then be used to measure customer satisfaction and quality and make improvements for higher future sales. L2 AN • Repeat customers will be easy to identify, providing accurate records are kept, indicating that the tours are meeting their individual requirements. AN Repeat customers will usually mean a high level of satisfaction and increased revenue. L2 AN • 'Negative' measures such as tracking any customer complaints may also be useful, as customers are more likely to let LT know if they are not satisfied. These can then be used to improve quality AN and increased future sales. L2 AN • An increase in the sales/number of bookings of a particular tour, such as market tours, indicates that customers have been satisfied and have told others. AN Accept all valid responses.	

Question	Answer	Marks
3(a)	**Refer to Table 1.1. Calculate the payback period for LT's proposed new Tour Hub.** **Indicative content** Responses may include: Payback at the end of Year 3 (36 months) (1) (120 000) + 30 000 + 40 000 + 50 000	**1**
3(b)	**Refer to Table 1.1. Calculate the accounting rate of return (ARR).** **Indicative content** Responses may include: ARR = average profit / average investment × 100 (1 mark if no correct calculation) Total net cash flow – original investment = $170 000 – $120 000 = $50,000. (1) Average investment = $120,000 / 2 = $60,000 $50,000/4 = $12,500. (1) $12,500/$60,000 X 100 = 20.83% (3) 21% (3) Common errors Use of 'old' ARR formula $12,500 / 120,000 x 100 = 10.42% (2) Forgot to take off original investment $42,500/$60,000 X 100 = 70.83% (2) $42,500 / $120,000 x 100 = 35.41% (1) %(units) not needed for full marks OFR	**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 LT should invest in the new Tour Hub.

<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
3(c)	**Indicative content** Responses may include: **AO1 Knowledge and understanding** Limited knowledge K will be demonstrated through knowledge of a factor in investment decision or knowledge of new tour hub impacts. Developed knowledge K + K + will be demonstrated through knowledge of a factor in the investment decision and knowledge of new Tour Hub impacts. • Knowledge of IA methods, such as payback, ARR, but also net present value (NPV) • The new Tour Hub may provide access to a new market, so relevant 'generic' knowledge, such as market development • Opportunity cost of investment decisions **AO2 Application** *Limited application,* APP *applies knowledge to LT once.* *Developed application,* APP + APP *applies knowledge to LT twice.* • The new Tour Hub will enable customers to access advice and book tours in person, whether coming from cruise ships or staying in the city. • The face-to-face contact may be welcomed by older, maybe high-income travellers who would not book on-line. • The new small group tours will be booked through the hub. • There will be a need for training for the full-time tour specialists who will be employed to work at the Tour Hub. • It may be necessary to keep the Tour Hub open for long hours to accommodate customer needs. • Reasonable payback and ARR. (OFR here) **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 OR offers a two-sided analysis.* • Development of application points, in terms of the likely advantages and disadvantage to LT of the new hub, including impact on costs, future sales and revenue	

Question	Answer	Marks
3(c)	• Access to a new target market of customers who want to get advice and book 'in person' AN, including on the small group tours, should lead to more sales and ultimately more profit. L2 AN • There could be potential to develop this facility in other destinations if it is successful, AN so treat it as a 'pilot' for possible growth strategies in the future and increased market share. L2 AN • Marketing advantages, such as LT being visible in the local port should lead to a better reputation AN and higher sales L2 AN. However • The staffing costs may increase due to possible long opening hours, AN due to ships arriving at different times. Two full-time consultants may not be enough, so cost predictions may not be accurate. L2 AN • The current business model relies on electronic communication. Will the system need to be adjusted? Will there be more need for paper resources, such as brochures, at extra cost AN leading to less profit? 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.* • Either conclusion rewardable as long as it is justified. • Success of Tour Hub will very much depend on the success of small group tours for cruise passengers. • Many of these 'new' customers might have booked online, so won't be additional business. • What other information may be useful? • Limitations of payback and ARR in this context. • In the short term, this could lead to more customers, but in the long term will everyone book tour arrangements on-line? • How secure is the relationship with the cruise company? • Might this divert Kanon and Tonia from their other management tasks? • How secure might international tourism prove to be over the next few years? • Do Kanon and Tonia want to change their business model away from the original, completely selling on-line objectives? 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 1.2. Calculate the price elasticity of demand for shopping tours.

Table 1.2 Analysis of recent monthly price and sales data

<table>
<tr><th>Tour</th><th>Original price</th><th>New price</th><th>Sales before price increase</th><th>Sales after price increase</th><th>Price elasticity of demand</th></tr>
<tr><td>Shopping tour</td><td>$60</td><td>$75</td><td>250</td><td>240</td><td>See Question 4(a)</td></tr>
<tr><td>Evening street food tour</td><td>$40</td><td>$45</td><td>300</td><td>200</td><td>–2.67</td></tr>
</table>

Indicative content

Responses may include:

PED = % change in quantity demanded / % change in price (1 mark if no relevant calculations)
Shopping tour
% change in quantity demanded = -10/250 × 100 = -4% (1)
% change in price = $15/$60 × 100 = 25% (1)
PED = – 4% / 25% = – 0.16 (4)
0.16 (3)
Negative sign needed for full marks
OFR
</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 whether price elasticity of demand calculations are sufficient for LT to make pricing decisions.

<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)	**Indicative content** Responses may include: **AO1 Knowledge and understanding** Limited knowledge K will be demonstrated through knowledge of PED or knowledge of use in pricing decisions. Developed knowledge K + K+ will be demonstrated through knowledge of PED and knowledge of use in pricing decisions. • Knowledge and meaning of PED: responsiveness of demand to a change in price • Generic knowledge of values and meaning of price elastic/price inelastic demand • Knowledge of pricing methods such as cost plus and competitive pricing (penetration and skimming not so relevant here as these are existing products) **AO2 Application** *Limited application, APP applies knowledge to LT once.* *Developed application, APP + APP applies knowledge to LT twice.* • Demand for shopping and markets tours is inelastic, whereas demand for street food tour is elastic. • Shopping and markets tours are often taken by cruise passengers, who may be less sensitive to price changes than the backpackers who take the street food tours. • Pricing should take into account the nature of the target market and also the alternatives on offer to them, for example the shore excursions offered to cruise passengers. • Pricing of tour will also need to reflect changing prices of arrangements such as transport and entry tickets. • Seasonal fluctuation may mean that it is necessary to offer 'special deals' at quiet (non-peak) times of year. **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 OR offers a two-sided analysis.*	

Question	Answer	Marks
4(b)	• Development of application points, in terms of the likely impact of price elastic and inelastic demand on sales and revenue for LT. • Price inelastic demand for shopping tours suggests that passengers are relatively insensitive to price increases, therefore raising price should increase revenue. AN For example, the price rise illustrated would increase revenue from $15 000 to $18 000. L2 AN • Price elastic demand for street food tours suggests that passengers are relatively sensitive to price increases, therefore raising price should decrease revenue. AN For example, the price rise illustrated would decrease revenue from $12 000 to $9000. L2 AN • In the case of the new small group tours, demand may well be relatively inelastic, due to customer perception of more specialised tours with smaller groups, could support higher pricing decisions AN leading to increased profit. 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.* • It will be important for LT to keep information on the types of customers who take each of the tours, so that they can make pricing decisions with this in mind. • The PED will change over a range of prices. For example, if LT increase the prices of shopping tours by a very large percentage then they will no longer be seen as 'value for money'. • Currency fluctuations may affect tour prices, if the currency of Country P appreciates or depreciates. • Other external factors that affect tourism will also have some impact on LT's ability to charge higher prices. • LT objectives – to what extent might LT be willing to accept lower profit margins on tours such as the street food tour to widen customer appeal? • How dependent are LT on the cruise company? Prices need to be competitive in the market. 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 LT of giving some tour guides an employment contract with a guaranteed number of tours per month.

<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
5	**Indicative content** Responses may include: **AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of employment contracts or knowledge of the impact of giving full-time employment contracts.* *Developed knowledge* K + K *+ will be demonstrated through knowledge of employment contracts and knowledge of the impact of giving full-time employment contracts.* • Meaning of contract – an agreement between two parties • Meaning of employment contract with guaranteed hours/number of tours • Generic advantages of employment contracts, such as certainty of wages, security, ties employee to the company to some extent, but also commits the company to terms. **AO2 Application** *Limited application,* APP *applies knowledge to LT once.* *Developed application,* APP + APP *applies knowledge to LT twice.* • The guides are taking customers on sightseeing tours, probably a few hours or full days, but possibly longer. • Customers may choose street food or shopping tours, guides may specialise. • The guides have the responsibility of making all the relevant bookings of transport and other arrangements. • Some of the guides will have very specialist knowledge about places and may take customers to places they would not usually go with standard tours. • The new small group tours for cruise passengers are planned to go every week, so more regular work for guides. • There may be competition for the services of guides in many popular destinations. **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 OR offers a two-sided analysis.* • Development of application points, in terms of the likely advantages to LT of guides feeling more secure and tied to the company, including impact on customer loyalty, future sales and revenue.	

Question	Answer	Marks
5	• Guides will have some certainty in terms of their hours and also possibly which tours they will be taking which will allow for more effective planning AN leading to reliability of service and higher customer satisfaction. L2 AN • Also maybe better relationships with suppliers such as vehicle hire, attractions and hotels. AN • Guides will offer a better service to customers, maintaining high satisfaction level. AN • Regular business and leisure travellers will be encouraged to use LT for future travel arrangements, due to building a relationship with guides AN, encouraging increased repeat sales. L2 AN • LT will be more likely to retain a skilled group of guides, who will be less likely to defect to competitors AN leading to lower recruitment costs. L2 AN • There could be a negative impact on the motivation and loyalty of some guides who are not offered the contracts. AN • If guides have contracts and there are not enough bookings, LT will still have to pay them, AN therefore negative impact on profits. 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.* • The reasons for choosing the guides to offer contracts to must be transparent, maybe even with an application process, so that an 'us and them' problem does not arise. • The positive impacts on LT will depend on the level of bookings matching the contracted tours/hours. • The travel industry is highly sensitive to external factors, such as political instability in countries worldwide. • Some guides may also like the current flexibility and will not want contracts. • LT will lose some of its operational flexibility if some guides have these contracts. • Overall justified judgement on good/bad for LT. • The success of Kanon's plan will depend on all of these and possibly other factors, as will whether this will be the right final decision. Accept all valid responses.	

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