Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/41**

Paper 4 Business Strategy **May/June 2023**

MARK SCHEME

Maximum Mark: 40

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>

Evaluate whether LH made the correct strategic decision to take over PS.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
3 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
8 marks</th><th>AO4 Evaluation
7 marks</th></tr>
<tr><td></td><td>Description</td><td>Description</td><td>Description</td><td>Description</td></tr>
<tr><td>3</td><td></td><td></td><td>7–8 marks
Developed analysis of the overall strategy that identifies connections between causes, impacts and/or consequences.</td><td>6–7 marks
Effective evaluation
A developed judgement/conclusion is made in the business context that draws together developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2–3 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>4–6 marks
Developed analysis of individual strategic element(s) that identifies connections between causes, impacts and/or consequences.</td><td>3–5 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>1–3 marks
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>20</td></tr>
</table>

Question	Answer	Marks
1	**Indicative content** Responses may include: **AO1 Knowledge and understanding** Knowledge of business concepts (max 3 s), including: • Strategy – a plan of action to achieve a long-term aim • Developing business strategies – SWOT analysis • Business growth – external growth – takeover and mergers • Ratios – liquidity, profitability and financial efficiency • Quality management – meeting customer expectations and quality control • Any understanding of other terms, ratios or concepts in the case or appendices. **AO2 Application** Indicated by as 1 mark (max 2 s): • Purchase of international luxury gift supplier • Brand name of PS used to retain international brand awareness • Elements from SWOT analysis • Elements from financial data • Use of online review extracts • Any use of the case that is in context of the answer. **AO3 Analysis** *Limited analysis – candidate shows one link in the chain of analysis. (max 3)* *Developed analysis of individual strategic element - candidate shows two or more links in the chain of analysis.* *Developed analysis of overall strategy – candidate shows a counter answer to the chain of analysis (2-sided answer).* • OPM increasing by about 10% 2016 to 2017 which signifies Loretta's short term profit maximisation plan was working and therefore may have produced sufficient profits for investment opportunities. • Gearing reduced by 33% which allowed for borrowing for investment in the international growth markets which would satisfy Loretta's 5 year rapid expansion target to be met. • Acid test ratio of 0.7 (low for a stock intensive operation) signified that stock management systems were effective which would neutralise PS's inefficient inventory control and improve the low DPS if it was a result of poor operating margins.	

Question	Answer	Marks
1	• Increasing dividends may have left less available for expansion. • Trade receivables increased by over 7x, showing that corporate buyers want longer/better payment terms which decreases cashflow/increases financial risk. • The business was bought for international brand awareness in 2018 however by 2021 the name was dropped which indicates that the investment into the brand may have failed. • PS wide range of national suppliers would have negated LH weakness of a limited number of regional suppliers therefore increasing choice, however an acid test ratio drop of 0.5 between 2017 and 2019 implies that too much stock was held which could have affected the cashflow and may have been a reason for lack of investment into cyber security. • The rapid development of international corporate clients in 2019–20 increased gearing by 8x over 2 years and increased further by 5% indicating that cashflow was poor and debts were high, which may have negatively impacted the dividend per share and caused shareholder unrest which may be a reason Loretta had to present figures and may have contributed to her replacement in 2023. **AO4 Evaluation** *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.* Evaluation will largely depend on the points raised in the analysis of the data of LH. • The efficiencies of LH didn't lead to synergies with PH who lacked economies of scale and meant that the original objective of profit maximisation was ignored, however this may have been expected with the rapid expansion that was planned. • To what extent did the high gearing and reducing profit margins and falling DPS in 2019–20 lead to the cyber-attack? Was there a lack of investment into online security? • The takeover of PS has had a significant negative impact on the financial position of LH, which may be an issue for a rapidly expanding, relatively new company. • Overall judgement required about the balance between the accounting and qualitative elements of LH's strategic decision making. Accept all valid responses.	

Question	Answer	Marks
1	**Exemplar and annotations** The decision was an example of external growth, a way of growing a business by a merger of takeover to improve efficiency, Loretta's identification of PS as an international luxury gift supplier, LH would benefit from existing customers, increasing profitability, this is evident in the financial data by LH as revenue increased from 30 million in 2017 to 56 million in 2019 and 61 million in 2020 after the takeover. It can be argued that PS' luxurious brand image negatively affected LH as their standards may have been difficult to control. Strategic analysis is the analysis of the current business situation and researching the best method of business strategy to achieve long term objectives. The business strategic implementation would be the process by which the business' chosen strategy is introduced in the setting of their long-term objectives. LH's gearing ratio has increased, meaning that LH may not be as profitable as they could, due to the immense amount of borrowing to finance takeover and extra expenses. But in the long term it seems that if LH can keep up their profitability, they would be able to pay back their loans. To conclude, LH's short-term objective of profit maximisation appears to not be met due to the external growth of LH's takeover of PS. LH may not have been able to keep up with the demand which could hurt their reputation. The consumers of LH would have been negatively affected by the takeover as they would be expecting luxurious high-quality food and gift baskets. LH would have taken a loss if the product did not meet customer expectations. LH should consider the external environment when completing the take-over. For example, if the government implement economic policies, LH could face higher interest rates and it would be difficult to lower their gearing ratio which is increasing. AO1 – 3/3 AO2 – 2/2 AO3 – 8/8 AO4 – 7/7 Total 20 marks Judgement is a yes or no. Comment is anything weighing up the other side of the argument.	

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

Advise Sanjay on an operations strategy for LH to overcome the problems it is experiencing.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
3 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
8 marks</th><th>AO4 Evaluation
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No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

</td><td>20</td></tr>
</table>

Question	Answer	Marks
2	**Indicative content** Responses may include: **AO1 Knowledge and understanding** Knowledge of business concepts (max 3 s), including: • Strategies for international marketing • Scale of operations • Quality control and quality assurance • Inventory management • Operational decisions – IT and AI in operations management • Flexibility and innovation • Enterprise and resource planning • Production methods including lean production • Any understanding of other terms or concepts in the case or appendices. **AO2 Application** Indicated by as 1 mark (max 2 s): • LH objectives • Use of online review extracts • Extracts from SWOT analysis • Cyber-attack, incomplete supplier lists and lost customer data • Considerable reputational damage due to data loss (use of App 3) • Relevant elements from appendices and LH business. **AO3 Analysis** *Limited analysis – candidate shows one link in the chain of analysis. (max 3)* *Developed analysis of individual strategic element - candidate shows two or more links in the chain of analysis.* *Developed analysis of overall strategy – candidate shows a counter answer to the chain of analysis (2-sided answer).*	

Question	Answer	Marks
2	Candidates are likely to focus on Sanjay's objectives. • Focusing on IT security is vital to repairing the reputation of LH in customers' eyes. Security of data is paramount and could lead to fines if negligence was shown to have occurred. This could justify significant investment into completely new IT systems to replace the aging and outdated existing platform. However, the cost and time necessary to implement a new system is likely to be high and this could mean that competitors could take market share whilst new systems are being developed – what happens in the meantime? • Inventory control – As customers are unhappy with the quality of the products, LH should use this opportunity to refine its supplier base with proven quality assurance procedures to ensure high customer satisfaction levels as existing supplier lists are lost. However, existing suppliers may have contracts that have been written to ensure economies of scale, pricing and supply. Also, how many customers are complaining of poor quality? Current financial accounts need to be inspected to see whether the unhappiness is reflected in financial accounts or if it is a few loud people writing negative reviews. • Does the LH brand demand the same level of consumer awareness as the PS brand? Was the PS brand dropped due to a lack of marketing advantage? Strategies to ensure international reputation is as successful as the national market. • Financial strategy required to appease shareholders as DPS which may have already led to previous MD being replaced, however significant investment into IT and security systems is also needed – a poor acid test ratio and high gearing may mean there are few or difficult options. • Management information – ensuring that any management conflict from the merger is negated by extending the communications channels used in the expansion into the European market. However, these channels were developed in 2016–17 – has there been investment into these channels or are they too outdated? • TQM helps businesses reduce waste therefore reducing costs on defective products. However, it would increase the cost of operations as LH's production process would become more labour-intensive. • ERP would increase coordination within departments which would increase productivity as it also works with just in time. However, this is costly to implement which could halt production. • Lean production such as cell production of every unit of the food hamper would improve quality standards and no delays to customers therefore gaining a better reputation within the market. • New software to resolve the outdated IT systems will save time as data will not be entered to separate programs one by one and issues like cyber security will not occur. However, high-tech software is costly.	

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Question	Answer	Marks
2	**AO4 Evaluation** *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.* Evaluation will largely depend on the points raised in the analysis of the approaches needed to develop a new strategy. • The amount of time Sanjay has to implement the new objectives – can LH continue to operate on the existing platform while changes are made? • To what extent can/should Sanjay try to plan for a new strategy with the resources that he has? • Many of the approaches rely heavily on ability of LH to find new and existing suppliers. • Advice to Sanjay should make clear which approaches are likely to be most relevant and useful in this context. Accept all valid responses. **Exemplar and annotations** Lean production techniques are methods of reducing waste and increasing efficiency. It includes Kaizen continuous improvement, TQM and quality control etc. I think Sanjay should use JIT inventory management and quality assurance. This is because 2022 reviews show that there is a problem with customers receiving the correct goods. Quality assurance involves checking the goods at every stage of production. This will lead to better product quality. With JIT it will also lead to better waste management – the overall result is a better reputation which could guarantee success in international markets. However, they will need reliable suppliers. Improving their outdated IT system can prevent another cyber-attack and consequently gain more sales, revenue and profit which would resolve some of the financial issues seen in appendix 2. However, this system would require updates and monitoring and even compatible machinery.	

Question	Answer	Marks
2	Overall, I recommend quality assurance and JIT. These do not solve as many problems as the multifaceted ERP computer program but QA is more cost effective than ERP as it only requires employee participation and LH could easily solve the negative reviews from 2022 of LH's products such as 'the contents were not what I ordered' which would improve brand image . However, the point depends upon the finance available to LH. They have 6.71 million dollars of profit available to them but ERP is expansive and requires integration with their corporate customers and suppliers. AO1 – 3/3 AO2 – 2/2 AO3 – 8/8 AO4 – 7/7 Total 20 marks Judgement is a yes or no. Comment is anything weighing up the other side of the argument. There is no need for an evaluative comment for full marks on evaluation.	