CAMBRIDGE
International Education

# Cambridge International AS & A Level

**BUSINESS** **9609/31**

Paper 3 Business Decision-making **May/June 2024**

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 2024 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.



© Cambridge University Press & Assessment 2024 

**PUBLISHED**

## 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 descriptions 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.

© Cambridge University Press & Assessment 2024

| |
|---|
| GENERIC MARKING PRINCIPLE 5:<br><br>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:<br><br>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. |

© Cambridge University Press & Assessment 2024

**PUBLISHED**

**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).

© Cambridge University Press & Assessment 2024

**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.

© Cambridge University Press & Assessment 2024

## 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.

© Cambridge University Press & Assessment 2024

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

**Analyse <u>two</u> advantages to GBS of using flexible part-time employment contracts.**

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding<br>2 marks</th><th>AO2 Application<br>2 marks</th><th>AO3 Analysis<br>4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks<br>Developed analysis<br>• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.<br>• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks<br>• Knowledge of two relevant points is used to answer the question.<br>• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks<br>• Application of two relevant points to a business context.<br>• Application of one relevant point to a business context.</td><td>1–2 marks<br>Limited analysis<br>• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.<br>• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks<br>No creditable response.</td><td>0 marks<br>No creditable response.</td><td>0 marks<br>No creditable response.</td></tr>
</table>

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

© Cambridge University Press & Assessment 2024

| Question | Answer | Marks |
|---|---|---|
| 1 | **Note:**<br>• Only reward benefits.<br>• If more than two benefits are referred to, reward the best two.<br>• Benefits must apply to GBS.<br><br>All annotation (K APP AN L2) should be in the left margin.<br><br>**Indicative content**<br><br>**AO1 Knowledge and understanding**<br>• Definition or explanation of flexible part-time employment contracts (max K 1 mark).<br>• Employees are only contracted to work for a certain number of hours each week but less than the full-time working week.<br><br>Possible advantages include (max 2 K marks):<br>• Higher productivity due to improved employee morale<br>• Lower fixed costs<br>• Low labour turnover<br>• Less absenteeism<br>• Attract wider range of potential employees<br>• Greater commitment to and engagement with the organisation. | |

© Cambridge University Press & Assessment 2024

| Question | Answer | Marks |
|---|---|---|
| 1 | **AO2 Application**<br>*Limited application,* APP *applies knowledge to GBS once.*<br>*Developed application,* APP + APP *applies knowledge to GBS twice.*<br>*Max one* APP *for application for the first advantage and max one* APP *for application for the second advantage.*<br>• Small number of employees (13).<br>• Link to GBS being able to react quickly to seasonal fluctuations.<br>• Link to low inventory of extracted materials.<br><br>**AO3 Analysis**<br>*Limited analysis* AN *- candidate shows one link in the chain of analysis.*<br>*Developed analysis* L2 AN *- candidate shows two or more links in the chain of analysis.*<br>• Employees feel they are in control of their work arrangements with regard to time so productivity is higher therefore unit costs are lower AN which enables GBS to be price competitive in the market L2 AN.<br>• Employees feel trusted and have some choice, leading to lower labour turnover and therefore a reduction in recruitment costs AN.<br>• Employees have a degree of choice over when they work resulting in less absenteeism AN and greater output to meet customer demands L2 AN.<br>• Choice of work times attracts a wider range of potential employees improving the quality of workers and therefore increasing output AN.<br>• Part-time employees can be employed at busy periods to ensure that demand is met AN.<br><br>Accept all valid responses. | |

© Cambridge University Press & Assessment 2024

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>
Analyse <u>two</u> disadvantages to GBS of its proposed communication process innovation.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding<br>2 marks</th><th>AO2 Application<br>2 marks</th><th>AO3 Analysis<br>4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks<br>Developed analysis<br>• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.<br>• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks<br>• Knowledge of two relevant points is used to answer the question.<br>• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks<br>• Application of two relevant points to a business context.<br>• Application of one relevant point to a business context.</td><td>1–2 marks<br>Limited analysis<br>• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.<br>• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks<br>No creditable response.</td><td>0 marks<br>No creditable response.</td><td>0 marks<br>No creditable response.</td></tr>
</table>
</td><td>8</td></tr>
</table>

© Cambridge University Press & Assessment 2024

| Question | Answer | Marks |
|---|---|---|
| 2 | **Note:**<br>• Only reward problems / disadvantages.<br>• If more than two problems are referred to, reward the best two.<br>• L2AN (3 marks) is possible for just one point made.<br><br>All annotation (K APP AN L2) should be in the left margin.<br><br>**Indicative content**<br><br>**AO1 Knowledge and understanding**<br>• Definition or explanation of process innovation (max K 1 mark).<br>• Application or introduction of a new technology or methods/systems that increase efficiency.<br>• Examples include new IT systems, use of blockchain, automated payments or inventory, robotics.<br>• Possibility that the changes form part of an ERP system.<br><br>Possible disadvantages include (max K 2 marks):<br>• Cost of the proposals and need for finance.<br>• Possible employee resistance to change.<br>• Cost of training employees.<br>• Technology may fail. | |

© Cambridge University Press & Assessment 2024

| Question | Answer | Marks |
|---|---|---|
| 2 | **AO2 Application**<br>*Limited application,* APP *applies knowledge to GBS once.*<br>*Developed application,* APP + APP *applies knowledge to GBS twice.*<br>*Max one* APP *for application for the first problem and max one* APP *for application for the second problem.*<br>• Number of employees (13) – will need training.<br>• Low inventory.<br>• Proposal includes coordinated IT system linking customer orders and distribution.<br>• Tracking of orders of sand & gravel.<br>• Gordy is thinking of expanding the business.<br>• Finance needed for new grinding machine.<br><br>**AO3 Analysis**<br>*Limited analysis* AN *– candidate shows one link in the chain of analysis.*<br>*Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.*<br><br>• A new IT system could be expensive to implement resulting in cash flow problems AN .<br>• Employees may feel they have less control as a result of the process innovation. This may result in conflict and disturb current effective working relationships and employees may leave AN increasing recruitment costs L2 AN.<br>• Employees will need training which will increase costs and reduce profit in the short term L2 AN.<br>• Opportunity cost of investment which could delay the purchase of the new grinding machine AN therefore reducing the ability of GBS to meet increasing demand L2 AN.<br>• The app could crash causing customers to be unable to place orders AN and going elsewhere to purchase building materials APP resulting in a loss of sales and therefore profit.<br><br>Accept all valid responses. | |

© Cambridge University Press & Assessment 2024

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(a)</td><td>Refer to lines 24–25. Calculate the accounting rate of return (ARR) for the new grinding machine.<br><br>Indicative content
<table>
<tr><th>Note</th><th>Answer</th><th>Mark</th></tr>
<tr><td>Correct answer with or without working</td><td>9000 / 55 000 × 100 = 16.4% OR 16.36%<br>Accept 16.4 OR 16.36</td><td>2</td></tr>
<tr><td>One or more of the following:<br>• Average profit<br>• Average investment<br>• ARR equation</td><td>45 000 / 5 = 9000 [Accept 9]<br>110 000 / 2 = 55 000 [Accept 55]<br>ARR =Average profit / Average investment × 100</td><td>1</td></tr>
<tr><td>Zero marks</td><td>No creditable response</td><td>0</td></tr>
</table></td><td>2</td></tr>
<tr><td>3(b)</td><td>Refer to Table 1.1. Calculate the net present value (NPV) of the new grinding machine.<br><br>Indicative content
<table>
<tr><th>Note</th><th>Answer</th><th>Mark</th></tr>
<tr><td>Correct answer with or without working</td><td>$22 000 OR 22 000<br>Accept: $22 OR 22</td><td>2</td></tr>
<tr><td>One or more of the following:<br>• Discounted cashflows Yrs 1–5<br>• NPV equation</td><td>19 + 27.3 + 25.8 + 28.7 +31.2 = 132 (000)<br>Sum of discounted future cash flows minus the initial cost</td><td>1</td></tr>
<tr><td>Zero marks</td><td>No creditable response</td><td>0</td></tr>
</table></td><td>2</td></tr>
</table>

© Cambridge University Press & Assessment 2024

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>Evaluate whether GBS should purchase the new grinding machine.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding<br>2 marks</th><th>AO2 Application<br>2 marks</th><th>AO3 Analysis<br>2 marks</th><th>AO4 Evaluation<br>6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks<br>Developed evaluation in context<br>• A developed judgement/conclusion is made in the business context.<br>• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks<br>Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks<br>Developed application of relevant point(s) to the business context.</td><td>2 marks<br>Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks<br>Developed evaluation<br>• A developed judgement/conclusion is made.<br>• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark<br>Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark<br>Limited application of relevant point(s) to the business context.</td><td>1 mark<br>Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks<br>Limited evaluation<br>• A judgement/conclusion is made with limited supporting comment/evidence.<br>• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks<br>No creditable response.</td><td>0 marks<br>No creditable response.</td><td>0 marks<br>No creditable response.</td><td>0 marks<br>No creditable response.</td></tr>
</table></td><td>12</td></tr>
</table>

© Cambridge University Press & Assessment 2024

| Question | Answer | Marks |
|---|---|---|
| 3(c) | All annotation (K APP AN L2 EVAL L2 EVAL L3 EVAL) should be in the left margin.<br><br>**Indicative content**<br><br>**AO1 Knowledge and understanding**<br>*Limited knowledge* K *will be demonstrated through knowledge of <u>one</u> factor in the decision.*<br>*Developed knowledge* K + K *will be demonstrated through knowledge of <u>two</u> or more factors in the decision.*<br>• Understanding of investment appraisal methods – NPV, ARR, payback period.<br>• Understanding of possible qualitative factors in investment decision – business attitudes, risk, impact on stakeholders, external factors, consistency with business objectives/strategy availability of finance.<br><br>**AO2 Application**<br>*Limited application,* APP *applies knowledge to GBS once.*<br>*Developed application,* APP + APP *applies knowledge to GBS twice.*<br>• Requirement for skilled operator.<br>• Loan finance is available.<br>• Use of data in Table 1.1 from manufacturer and Mo's experience.<br>• Impact on unit costs.<br>• Use of answers to **Q3(a)** and **3(b)** (OFR applies).<br>• NPV is positive $22 000.<br>• ARR is 16.4%.<br>• Payback and is in 4th year, 3 years and 10.3 months or 3.86 years.<br>• Discounted payback is 4 years 3.5 months or 4.29 years. | |

© Cambridge University Press & Assessment 2024

| Question | Answer | Marks |
|---|---|---|
| 3(c) | **AO3 Analysis**<br>*Limited analysis* AN *– candidate shows one link in the chain of analysis.*<br>*Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.*<br>• Payback is within the 4th year so the investment is forecast to be profitable AN and therefore potentially worth investing in L2 AN.<br>• NPV is positive and should therefore be considered as a worthwhile investment AN.<br>• GBS may need to finance the investment through borrowing which will increase the gearing of GBS AN and this increases risk for shareholders L2 AN.<br>• The investment would enable GBS to meet the increasing demand for its products and therefore potentially increase profit AN.<br>• The grinding machine would decrease unit costs and therefore GBS could set lower prices AN which should result in an increase in demand L2 AN.<br>• NPV (positive) and ARR is higher than 5% cost of finance indicating GBS should go ahead AN.<br><br>**AO4 Evaluation**<br>*Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.*<br>*Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.*<br>*Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.*<br>• Data and investment appraisal methods strongly support the purchase but are the figures accurate and reliable?<br>• Is a 5-year life realistic? Can data over a 5-year future period be relied on?<br>• Qualitative factors may be as or more important than calculations.<br>• May not be reliable or accurate – can the manufacturer's data be relied on? They are trying to make a sale so data may be optimistic plus Mo has not done any market research or research into cost savings (relied on experience).<br>• Are there any other possible investments or changes that will meet GBS's needs? Little evidence of other possibilities other than the bullet points in last section – might finance be better spent on one of these?<br>• Can GBS afford another course of action as well as the purchase if it goes ahead?<br>• These points support the conclusion that more detailed research into sales and cost savings including checking the existing data is needed before making a decision.<br>• Is there a time scale for making the decision?<br>• Are there other possible ways for growth to occur? Need to investigate before deciding.<br>• In view of other possible options/actions in the case more research would be justified before deciding.<br><br>Accept all valid responses. | |

© Cambridge University Press & Assessment 2024

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(a)</td><td>Calculate the price elasticity of demand (PED) for GBS's gravel product when the price decreased from $90 to $81 per tonne.
<table>
<tr><th>Note</th><th>Answer</th><th>Mark</th></tr>
<tr><td>Correct answer with or without working</td><td>–2.5</td><td>4</td></tr>
<tr><td>Negative sign not included<br>All three of following stated:<br>• Equation for PED<br>• Percentage change in demand<br>• Percentage change in price</td><td>2.5<br><br>PED = % Change in Qd / % Change in P<br>25%<br>–10%</td><td>3</td></tr>
<tr><td>Two of the following<br>• Equation for PED<br>• Percentage change in demand<br>• Percentage change in price</td><td><br><br>PED = % Change in Qd / % Change in P<br>25%<br>–10%</td><td>2</td></tr>
<tr><td>One of the following:<br>• Equation for PED<br>• Percentage change in demand<br>• Percentage change in price</td><td><br><br>PED = % Change in Qd / % Change in P<br>600 / 2400 × 100 = 25%<br>–9 / 90 X 100 = –10%</td><td>1</td></tr>
<tr><td>Zero marks</td><td>No creditable response</td><td>0</td></tr>
</table></td><td>4</td></tr>
</table>

© Cambridge University Press & Assessment 2024

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

**Evaluate the impact of elasticity measures when GBS makes marketing decisions.**

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding<br>2 marks</th><th>AO2 Application<br>2 marks</th><th>AO3 Analysis<br>2 marks</th><th>AO4 Evaluation<br>6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks<br>Developed evaluation in context<br>• A developed judgement/conclusion is made in the business context.<br>• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks<br>Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks<br>Developed application of relevant point(s) to the business context.</td><td>2 marks<br>Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks<br>Developed evaluation<br>• A developed judgement/conclusion is made.<br>• Developed evaluative comments which balance some key arguments.</td></tr>
</table>

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

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

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

**Indicative content**

**AO1 Knowledge and understanding**
*Limited knowledge* K *will be demonstrated through knowledge of elasticity measure or knowledge of the impact on GBS marketing decisions.*
*Developed knowledge* K + K *will be demonstrated through knowledge of elasticity measure and knowledge of the impact on GBS marketing decisions.*

- Explanation of elasticities – price, income, promotional.
- PED – responsiveness of Qd to a change in price.
- YED – responsiveness of Qd to a change in income.
- PrEd – responsiveness of Qd to a change in promotional spending.

Understanding of marketing decisions linked to elasticity:

- Effectiveness of change in price to impact demand and revenue.
- Effectiveness of additional promotional spending to increase demand and profit.
- Changing the product to reduce how responsive demand is to a change in price
- Changing place to reduce PED.

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

© Cambridge University Press & Assessment 2024

| Question | Answer | Marks |
|---|---|---|
| 4(b) | **AO2 Application**<br>*Limited application,* APP *applies knowledge to GBS once.*<br>*Developed application,* APP + APP *applies knowledge to GBS twice.*<br>• GBS extracts and distributes sand and gravel – product decision.<br>• Decrease in price of 10% resulted in an increase in demand of 25%.<br>• GBS considering cuts in price.<br>• Estimated impact of a 25% increase in promotional expenditure is an increase in demand of 27.5%.<br>• Source of information is building trade journal.<br>• GDP in country Q increasing by 8%.<br>• Asking for government help for construction industry.<br>• PED for GBS gravel product is -2.5 (price elastic).<br>• Elasticity of demand for all industry gravel products: YED is 1.8 (income elastic), PrEd is 1.1 (promotion elastic).<br><br>**AO3 Analysis**<br>*Limited analysis* AN *– candidate shows one link in the chain of analysis.*<br>*Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.*<br>• Trade journal may be out of date so elasticity data may not be accurate AN.<br>• As demand for gravel products is price elastic this gives support for reducing price AN as this will lead to a more than proportionate change in demand and therefore increase revenue L2 AN.<br>• The promotional elasticity of demand supports increasing spending on promotion AN and this will contribute to meeting GBS's growth objectives L2 AN.<br>• With rising GDP and a positive income elasticity of demand for gravel products demand should continue to rise AN therefore GBS does not need to reduce price or increase promotion to achieve its growth objectives L2 AN.<br>• Luxury homes are likely to have a high income elasticity of demand and therefore GBS can benefit from producing more high value products AN as rising GDP will result in an increase in the demand for luxury homes L2 AN.<br>• The reaction of competitors to any cut in price made by GBS will impact the accuracy of the estimate of PED AN. | |

© Cambridge University Press & Assessment 2024

| Question | Answer | Marks |
|---|---|---|
| 4(b) | **AO4 Evaluation**<br>*Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.*<br>*Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.*<br>*Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.*<br>• Table 1.2 only refers to gravel products, Gordy's PED is for only one product. This means the data can only form part of an input to a marketing strategy.<br>• Proposals: PED indicate that a price fall will significantly increase demand so this should form part of any marketing strategy for gravel products in line with objective of growth. Effect on profits depends on costs of producing more.<br>• Income elasticity indicates GBS should prepare for an increase in demand independent of any price or promotional changes.<br>• The above is subject to GBS's products facing the same market conditions as all industry gravels.<br>• Marketing strategy: sand products have no market information, though likely to be influenced by income in a similar way to gravel products as construction industry demand grows.<br>• A marketing strategy is much wider than just considering elasticities and GBS should use other tools and indicators when deciding on an overall strategy.<br><br>Accept all valid responses. | |

© Cambridge University Press & Assessment 2024

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

**Evaluate the extent to which corporate social responsibility (CSR) should influence GBS's decision to expand into new land.**

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding<br>2 marks</th><th>AO2 Application<br>2 marks</th><th>AO3 Analysis<br>2 marks</th><th>AO4 Evaluation<br>6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks<br>Developed evaluation in context<br>• A developed judgement/conclusion is made in the business context.<br>• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks<br>Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks<br>Developed application of relevant point(s) to the business context.</td><td>2 marks<br>Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks<br>Developed evaluation<br>• A developed judgement/conclusion is made.<br>• Developed evaluative comments which balance some key arguments.</td></tr>
</table>

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

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

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

**Indicative content**
**AO1 Knowledge and understanding**
*Limited knowledge* K *will be demonstrated through knowledge of CSR or knowledge of how CSR could impact GBS's decision to expand into new land.*
*Developed knowledge* K + K *will be demonstrated through knowledge of CSR and knowledge of how CSR could impact GBS's decision to expand into new land.*
- Knowledge/explanation of CSR, including social or environmental audits.
- Business should take into account impact of decision on society and the environment.
- Stakeholder view vs shareholder view.
- Role of pressure groups.
- Cost of implementing CSR policies.

Benefits to GBS of CSR approach:
- Image
- Retention of employees
- Increased sales
- Adds value
- Possible objectives of GBS
- Use of financial investment appraisal methods in making the decision.

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

© Cambridge University Press & Assessment 2024

| Question | Answer | Marks |
|---|---|---|
| 5 | **AO2 Application**<br>*Limited application,* APP *applies knowledge to GBS once.*<br>*Developed application,* APP + APP *applies knowledge to GBS twice.*<br>• Paying an incentive to local government official is unethical.<br>• Economy requires increased supply of building materials.<br>• Need for permission from local government.<br>• Gordy has objective of expansion.<br>• Using renewable energy to extract materials.<br>• Job creation from expansion.<br>• Protests from villagers about pollution and noise.<br>• Mo is concerned about the cost of CSR to GBS.<br><br>**AO3 Analysis**<br>*Limited analysis* AN *- candidate shows one link in the chain of analysis.*<br>*Developed analysis* L2 AN *- candidate shows two or more links in the chain of analysis.*<br>• Failing to take account of CSR when making decisions could result in negative publicity and a loss of reputation AN this could result in losing contracts to supply building materials resulting in a loss of revenue and profit L2 AN.<br>• Implementing socially responsible actions such as using renewable energy could increase costs and therefore reduce the profitability of the expansion AN.<br>• Businesses are part of society and therefore have a moral responsibility to consider the impact of their decisions on society AN.<br>• Making profit is the primary goal of private sector business and therefore it is acceptable to make any decision as long as it is within the law AN to increase profit on behalf of the owners L2 AN.<br>• Due to the housing shortage society will benefit significantly by GBS producing more building materials AN therefore GBS does not need to take account of other CSR issues L2 AN. | |

© Cambridge University Press & Assessment 2024

| Question | Answer | Marks |
|---|---|---|
| 5 | **AO4 Evaluation**<br>*Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.*<br>*Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.*<br>*Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.*<br>• Weighing up the financial vs non-financial considerations.<br>• If expansion is a primary objective this may be more important than profit as long as costs are covered.<br>• How committed are Gordy and Mo to CSR or to maximising profit? At the moment we are not sure.<br>• Does practising CSR actually lead to an increase in costs? Short term costs vs long term savings.<br>• How important is CSR to GBS's customers? Construction businesses are more likely to be interested in minimising their costs rather than purchasing supplies from a business practicing good social responsibility.<br>• Conclusion as to extent of influence of CSR.<br><br>Accept all valid responses. | |

© Cambridge University Press & Assessment 2024