CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/33**

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.

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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.

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

Analyse <u>two</u> impacts on SCC of the changing external influences in country Z.

<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 impacts are referred to, reward the best two.
- Allow reference to external influences in other countries where SCC exports to, such as inflation and concerns about unethical practices.

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

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

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Question	Answer	Marks
1	**Indicative content** Responses may include: **AO1 Knowledge and understanding** • Definition of external influences – factors outside the control of the business, inflation, unemployment and currency depreciation. (max K1 mark) • Generic impacts of rising inflation, rising unemployment and currency depreciation, such as falling real incomes, cheaper exports and more expensive imports. **AO2 Application** *Max one APP for application for the first element and max one APP for application for the second element.* • SCC is based in an island country in Asia, but exports mass produced clothing to developed countries. • The work in SCC's factories is sewing garments and employees are paid above the local minimum wage. • Consumers are concerned about unethical business practices so may be looking out for reports of 'sweat shop' conditions. • Skilled clothing workers are likely to be in high demand in Country Z. • SCC is highly reliant on business customers (B2B) in other countries, budget clothing brands. **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.* • Development of application points, in terms of the likely impacts on SCC of the rising inflation and unemployment and depreciating currency. • Rising inflation will lead to an increase in input prices, AN employees may ask for higher wages as their cost of living increases, AN leading to higher costs and lower profitability. L2 AN • Local customers of bespoke items may not be able to pay high prices for exclusive designs, due to lower real incomes. All this could lead to lower demand AN , lower revenue and profits L2 AN	

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Question	Answer	Marks
1	• Rising unemployment may mean more consumers without wages and unable to pay high prices for exclusive designs. However, SCC may be able to employ sewing machinists on lower wages. This could lead to lower costs, but also less sales. L2 AN (2-sided analytical point) • Currency depreciation of 10% is quite a big change and will mean that SCC's exported clothing will seem 'cheap' in terms of currencies in developed countries, leading to greater competitiveness and higher export sales. AN However, imported resources will be more expensive in terms of local currency, leading to higher cost L2 AN (2-sided analysis) • Pressure groups could cause problems with government and negative media coverage, which could impact sales to 'ethical' consumers, leading to lower demand. AN Accept all valid responses.	

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

Analyse <u>two</u> benefits to SCC of developing new clothing products made from recycled materials.

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

Note:
- Only reward benefits.
- If more than two benefits are referred to, reward the best two.

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

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

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Question	Answer	Marks
2	**Indicative content** Responses may include: **AO1 Knowledge and understanding** • Meaning of new product research and development – changing materials and designs in response to customer trends in demand. (max K1) • Generic advantages of developing new products – keeping up with consumer trends in order to remain competitive. **AO2 Application** *Max one APP for application for the first element and max one APP for application for the second element.* • Recycled textile materials are made from previously 'thrown away' garments, which is a more sustainable use of resources and less waste. • Environmental benefits of use of recycled textile materials, will be favourable for SCC's reputation. • Marketing benefits of use of recycled materials, appealing to 'environmentally aware' consumers, who may be willing to pay higher prices, not only in developed countries but also in Country Z. • Sunil is worried about some of the possibly unethical employment practices used by his current suppliers of non-recycled cloth. • Recycled textile materials are more expensive by at least 50%, but prices can be set higher. • Use of recycled materials as a USP for SCC. **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.* • Development of application points, in terms of the likely benefits to SCC of the use of recycled materials. • It is possible that demand for clothing made from recycled materials may be more price inelastic, so it will be possible to sell this range at higher prices AN leading to higher revenue and profit. L2 AN	

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Question	Answer	Marks
2	• Environmentally aware consumers may become loyal and help in building the brand, AN assuming designs are right. • SCC's product portfolio and target market will widen, AN spreading risk by moving away from reliance on mass produced clothing. This may mean less vulnerability to changes in demand for fast fashion, maintaining sales. L2 AN • Recycled textile materials are a relatively new development, so may make SCC more competitive, due to 'first mover advantage'. AN • Use of more sustainable resources may lead to more motivated workforce, could lead to increased productivity. AN Accept all valid responses.	

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Question	Answer	Marks
3(a)	**Refer to Table 1.1. Calculate the payback period for SCC's new factory.** All in $000 (150) + 20 + 40 + 80 = (10) 10/100 × 12 = 1.2 so 3 years and 1.2 months/3 years 2 months/3.1 years/3 years and 36.5 or 37 days (1)	**1**
3(b)	**Refer to Table 1.1. Calculate the accounting rate of return (ARR) for SCC's new factory.** ARR = average profit/average investment x 100 OR where the average investment = $\frac{\text{initial capital cost + residual capital value}}{2}$ (Maximum 1 mark, if no valid calculation) Average investment = (150m + 0) / 2 = 75m (1) OR Total net cash flow (all $m) = 240 – set-up costs 150 = 90. (1) 90/4 = 22.5. (2) OR 22.5 / 75 × 100 (2) 22.5 / 75 × 100= 30% (3) Common error – forget to deduct original cost = 240 / 4 = 60 60 / 75 × 100 = 80% (2) % not needed for full marks Alternative formula: average profit / initial investment x 100 22.5 / 150 = 15% (2) % not needed for full marks Incorrect units, e.g. $30 (2)	**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 SCC should invest in the new factory.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table></td><td>12</td></tr>
</table>

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Question	Answer	Marks
3(c)	OFR for **3(a)** and **3(b)** All annotation (K APP AN L2 EVAL L2 EVAL L3 EVAL) should be in the left margin. **Indicative content** Responses may include: **AO1 Knowledge and understanding** • Knowledge of IA methods, such as payback, ARR, but also net present value (NPV). • The new production unit will increase capacity so generic knowledge of capacity utilisation. • Knowledge of other relevant quantitative or qualitative factors. **AO2 Application** *Limited application,* APP *applies knowledge to SCC once.* *Developed application,* APP + APP *applies knowledge to SCC twice* • The new production unit will increase capacity for bespoke items. • Factories currently operating at 85%. • The new production unit will also be used to develop the new products made from recycled textile materials. • There will be a need for more trained employees to make the clothing and these are in short supply. • It may be possible to promote some trained employees from the original two factories. • Payback (year 4) and ARR is quite high (30%) (OFR here). • Relies on demand for bespoke items increasing as well as successful market entry into market for clothing made from recycled textiles. • SCC are intending to take a bank loan to finance the new unit, which will attract interest payments/increase gearing.	

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Question	Answer	Marks
3(c)	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Development of application points, in terms of the likely advantages and disadvantage to SCC of the new production unit, including impact on costs, reliance on future sales and revenue. • An increase in capacity is needed if demand increases, as they are working at 85% currently. This will enable SCC to produce more clothing. AN This should lead to higher sales and revenue, as suggested by the forecast figures. L2 AN • However, it may be difficult to staff the new unit with specialist workers, as they may be hard to find in Country Z. This may mean that Sunil needs to set up his own training sessions, which could be costly. AN • Wage rates may also need to be higher, given the scarcity of skilled workers, adding to costs AN and potentially decreasing profits if prices cannot be increased. L2 AN • Given SCC's current product portfolio, the main products being mass-produced clothing, the marketing mix will need to be changed to target 'environmentally aware' customers, this could add to marketing costs AN possibly decreasing profits if it takes time to reach these customers and increase sales. L2 AN **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Either conclusion rewardable as long as it is justified. • In the short term, this will be costly ($150 000) and will the bank be willing to lend? • How secure may the sales forecasts be, given the economic situation in Country Z and the other export countries. • There is considerable risk involved, especially in the untried market for recycled clothing. Is Sunil (and family) willing to take the risk? Accept all valid responses.	

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<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 (PED) for bespoke clothing.

Table 1.2 Data for price elasticity of demand
<table>
<tr><th>Tour</th><th>Original price</th><th>New price</th><th>Sales before price increase (2020)</th><th>Sales after price increase (2021)</th><th>Price elasticity of demand</th></tr>
<tr><td>Bespoke clothing items</td><td>$200</td><td>$220</td><td>300</td><td>285</td><td></td></tr>
</table>
PED = % change in quantity demanded / % change in price (1 mark if no relevant calculations)
% change in quantity demanded = -15/300 × 100 = -5% (1) (minus sign needed)
% change in price 20 / 200 × 100 = 10% (1)
PED = – 5% / 10% = – 0.5 (4)
0.5 (3)
Incorrect units e.g. $–0.5 (3)
$0.5 (2)</td><td>4</td></tr>
</table>

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

Evaluate the usefulness of PED and income elasticity of demand (YED) to SCC's sales forecasting for mass-produced clothing.

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

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

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Question	Answer	Marks
4(b)	**OFR for 4(a)** All annotation (K APP AN L2 EVAL L2 EVAL L3 EVAL) should be in the left margin. **Indicative content** Responses may include: **AO1 Knowledge and understanding** • Knowledge and meaning of PED and YED – responsiveness of demand to a change in income or price. • Generic knowledge of PED and values, including price elastic/inelastic. • Generic knowledge of positive and negative income elasticity and meaning of income elastic/income inelastic demand. • Generic knowledge of reasons for sales forecasting and sales forecasting methods, such as extrapolation, correlation, time series analysis. (maximum 1K mark) **AO2 Application** *Limited application,* APP *applies knowledge to SCC once.* *Developed application,* APP + APP *applies knowledge to SCC twice* • The customers of SCC's mass-produced clothing are B2B budget brand companies, whereas the bespoke items are sold to consumers so B2C. • Pricing should take into account the target market, but also in this case fast fashion is being sold 'in bulk', whereas bespoke items are 'one off'. • Elasticity calculation suggest that mass-produced clothing has price elastic demand, but is also an inferior product, with demand increasing as real incomes fall. • Mass-produced (fast fashion) clothing sales will be highly sensitive to changes in fashion and consumer tastes. • Fast fashion clothing has a YED of –1.33 (inferior product). • Calculations of revenue from table 1.2 before and after price increases: Bespoke clothing $60 000 increased to $62 700. Fast fashion $1 000 000 decreased to $900 000 **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.*	

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Question	Answer	Marks
4(b)	• Development of application points, in terms of the likely usefulness of price and income elasticities in sales forecasting. • Price elastic demand for mass-produced clothing suggests that B2B customers are price sensitive, and that decreasing prices is likely to result in higher revenues. AN This could mean that the currency depreciation will stimulate sales as it leads to cheaper export prices. L2 AN • Negative income elasticity (–1.33) for mass-produced clothing suggests that falling real incomes may lead to higher demand AN as business customers opt away from higher priced suppliers, as they know that their customers will be looking for cheaper prices, this could also stimulate demand from the budget brand companies. L2 AN • Sunil has past sales data, so forecasting based on this may be a good starting point, such as time series analysis or simple extrapolation, will enable him to predict sales. AN • However, markets are dynamic and the mass-produced clothing market is becoming more competitive. This may mean the likelihood of a price war. AN This would probably mean that elasticity data is not up to date and predicted demand may be lower, resulting in lower revenues. L2 AN • Consumers are becoming more concerned about unethical business practises used by suppliers in developing countries. This could have a negative impact on SCC, especially if there is bad publicity or pressure group activity, leading to lower sales. 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 useful for SCC to keep a close watch on response from customers to both price and income changes, as these will have big influences on their ability to buy. • However, other parts of the marketing mix and strategy will also be important, especially keeping up with fashion trends. • Currency fluctuations, such as the depreciation may be short or long term and will vary across different currencies. • YED is especially unreliable, as mass-produced clothing will be a ‘normal’ good for low-income earners, but an inferior good for high-income earners. • Many other external factors could influence the demand for SCCs clothing, other than price and income changes. • Elasticity data goes out of date very quickly, given other changing influences. Accept all valid responses.	

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

Evaluate the impact of SCC's HRM decisions on the future success of the business.

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

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

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Question	Answer	Marks
5	All annotation (K APP AN L2 EVAL L2 EVAL L3 EVAL) should be in the left margin. **Indicative content** Responses may include: **AO1 Knowledge and understanding** • Role of HRM, in terms of managing employees to meet the business needs. • The differences between soft and hard HRM. • Relevant knowledge of the meaning of success, e.g. profit, growth, productivity, sustainability. • Generic knowledge approaches such as target setting, training, promotion and links to motivation. • Generic knowledge around approaches that may be suitable for different types of workers. **AO2 Application** *Limited application,* APP *applies knowledge to SCC once.* *Developed application,* APP + APP *applies knowledge to SCC twice* • Employees at SCC vary, with some lower and some higher skilled, depending on whether they are sewing fast fashion, or designing and making bespoke items. • The HRM approach seems to have elements of both hard (targets) and soft (training and refreshments) HRM. • Many clothing manufacturers means high demand for all types of clothing workers, but especially those with higher level skills. • Working conditions and pay seem to be above average, but still hard work in hot temperatures. • Decisions such as providing meals and drinks, training and promotion opportunities do suggest a soft approach. • Sunil wants to expand SCC, forecasting 10% sales increase. **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.* • Development of application points, in terms of the likely impact of HRM approaches. • Chains of reasoning explaining why the approaches may work for SCC. For instance, target setting enables Sunil to judge employees' performance, potentially even give out productivity bonuses, improving efficiency AN, lowering average cost and increasing profit. L2 AN	

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Question	Answer	Marks
5	• Chains of reasoning explaining why the strategy may not work. For instance, target setting when employees are all working on different items may be difficult, could even lead to poor quality work and demotivation, decreasing productivity. AN • Links with staff retention, especially in a competitive labour market. If it costs a little more, perhaps in the provision of refreshments, then staff turnover will be lower, AN leading to less recruitment costs. L2 AN • Links with Sunil's objective to expand SCC, will need to retain and recruit employees with the right skills. Soft HRM approach may make this easier. AN • Especially with reference to bespoke items, the SCC designers will be an important part of SCC's USP, and Sunil cannot afford for these people and their design skills to be poached by other clothing companies, he will therefore need to pay above the market wages, potentially increasing costs AN and decreasing profit margins if prices cannot be increased. 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.* • Impacts of the HRM approaches will depend on the nature of employees. • A judgement as to whether Sunil's approaches are 'mainly hard' or 'mainly soft' and the long-term impact of this on the recruitment and retention of employees. • The importance of using the appropriate approaches of HRM with different employees, but how possible may this be? • How affordable may some of the soft approaches be if there is a price war in the market for mass-produced clothing? • Supported conclusion as to whether the mix of approaches is likely to help SCC succeed in the long term, for instance in terms of profit, growth, sustainability. • Other factors that may be as or more important to SCC's success, such as finance for the proposed new factory. Accept all valid responses.	

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