CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/32**

Paper 3 Business Decision-making **May/June 2025**

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 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level 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 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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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	For objective points that are correct.
	For objective points that are wrong.
TV	When the candidate has attempted something, but the mark/skill has not been awarded as the answer is not sufficiently clear.
Highlighter	To highlight a point or section of an answer that justifies the mark/annotation.
BOD	When the candidate has attempted something, and the mark/skill has been awarded.
SEEN	To show a page/section has been seen/read.
REP	The repetition of a previous point in a response **or** the candidate is copying the case study/data.
OFR	The own figure rule applies – acts as a mark/tick.
K	When AO1 has been awarded. The number of Ks should match the mark awarded.

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Annotation	Meaning
APP	When AO2 has been awarded. The number of APPs should match the mark awarded.
AN	When AO3 at Level 1 has been awarded.
L2 AN	When AO3 at Level 2 has been awarded.
EVAL	When AO4 at Level 1 has been awarded.
L2 EVAL	When AO4 at Level 2 has been awarded.
L2	When AO3 or AO4 has been awarded at Level 2.
L3	When AO4 has been awarded at Level 3.

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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> benefits to PAIR of contingency planning.
<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>
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
1	**Note:** • If more than two benefits are identified reward the best two. • Only reward benefits. • L2AN (3 marks) is possible for just one point made. • All annotation (K APP AN L2) should be in the left margin. Responses may include: **AO1 Knowledge and understanding** Definition of relevant terms (max K 1 mark) • Contingency planning is a plan for preparing an organisation's resources for unlikely events. • Knowledge of benefits to PAIR of contingency planning (max K 2 marks) • Minimises the negative impact on the business of a major disaster or event. • May reassure stakeholders that concerns for safety are a priority. • Public relations response to a disaster is more likely to be quick and effective. • Contingency planning process can help reduce the chances of disasters happening. **AO2 Application** Application is making use of relevant case information not just repeating it. *Limited application, APP applies knowledge to PAIR once.* *Developed application, APP+APP applies knowledge to PAIR twice.* *Max one APP for application of the first benefit and max one APP for application of the second benefit.* • Pandemic impact on business. (Rapid increase in sales following end of pandemic). • The battery fire – potential impact on reputation of PAIR. • Delayed response of Kaarina to the battery fire. • Inappropriate response of PAIR by just blaming the supplier. • Linking fire to quality assurance. • Disruption to global trade such as imposition of tariffs. (KB1 is a successful export for PAIR). • Contingency planning could have reduced chances of fire by including cut-off device in the robot.	**8**

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Question	Answer	Marks
1	**AO3 Analysis** *Limited analysis* AN *- candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *- candidate shows two or more links in the chain of analysis.* Chains of reasoning highlighting likely benefits of contingency planning • A contingency plan would have enabled a more effective response from PAIR to the battery fire thus reducing the risk of lost sales from hotels AN and therefore result in a less serious effect on profits. L2 AN • Knowledge that PAIR carries out contingency planning would reassure customers making them more likely to lease robots from PAIR AN thus increasing profits. L2 AN • The lack of a contingency plan resulted in a delayed response from PAIR to the battery fire this could harm their reputation for quality AN and result in a loss of sales. L2 AN • A contingency plan would reassure investors and make it more likely that a public flotation of shares would be successful AN therefore helping Kaarina with her future growth plans. L2 AN Accept all valid responses.	**8**

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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 PAIR of its organisational structure.

<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>

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

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Question	Answer	Marks
2	**Note:** • If more than two benefits are identified reward the best two. • Only reward benefits. • L2AN (3 marks) is possible for just one point made. Responses may include: **AO1 Knowledge and understanding** Definition of relevant terms (max K 1 mark) • Organisational structure is the internal, formal framework of a business that shows the ways in which management is organised and linked together. • Flat organisational structure has few levels of hierarchy and wider spans of control. • Matrix structure brings expertise from different functional departments together for a project. • Functional structure splits an organisation into departments based on areas of responsibility such as marketing and operations. Knowledge of benefits of flat organisational structure and/or matrix structure (max K 2 marks) • May empower/motivate employees as delegation is more likely. (flat) • Quicker communication from top to bottom of the organisation. (flat) • More responsive to changing market conditions (matrix or flat). • Matrix: Emphasis is placed on the team rather than the place of the individual in the hierarchy. • Matrix structure utilises employee skills to contribute to the project. • Functional encourages employees to become specialists and can increase efficiency • Functional departments are led by managers who are specialists in the functional area	**8**

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Question	Answer	Marks
2	**AO2 Application** Application is making use of relevant case information not just repeating it. *Limited application,* APP *applies knowledge to PAIR once.* *Developed application,* APP + APP *applies knowledge to PAIR twice.* *Max one* APP *for application for the first method and max one* APP *for application for the second benefit.* Linking structure to contextualised benefits: • Low labour turnover of 4%. • High productivity (2125 in 2023 and 2100 in 2024). • Innovation success of KB1. • 18-month development period for Delbot. • Speed of bringing products to market eight versions of KB1 by 2023. • Growth of the business since 2012, leading market share by 2024. • R&D more likely to be successful using matrix structure. **AO3 Analysis** *Limited analysis* AN *- candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *- candidate shows two or more links in the chain of analysis or balance of argument.* • Matrix structure brings expertise from different functional areas to work together on projects resulting in a reduction in the development time of new products AN therefore this results in PAIR being more responsive to changes in the market and increases sales. L2 AN • More likely that there will be delegation to employees which will increase their motivation AN therefore this will increase productivity and increase profits. L2 AN • Increased employee motivation results in lower labour turnover AN and therefore a reduction in costs leading to an increase in profit. L2 AN Accept all valid responses	**8**

Question	Answer	Marks
3(a)	**Using the data in Table 1.1, calculate the labour productivity for 2024.** Labour productivity = annual output / employees OR output per worker in a given time period OR output per worker hour (1 mark if no rewardable calculation) = 105 000 / 50 (1) = 2100 (units) (2) 2023 productivity = 2125 (units) (1) To award zero marks, there must be at least one ✗	**2**
3(b)	**Using the data in Table 1.1, calculate the labour turnover of production employees in 2024.** Labour turnover = Number of employees leaving the business / Average number of employees × 100 (1 mark if no rewardable calculation) 2 / 50 × 100 (1) = 4 % (2) **Note:** • Labour turnover = 4 (1) • Labour turnover in 2023 = 4 / 40 × 100 = 10 % (1) • 2 / 50 = 0.04 (0) To award zero marks, there must be one ✗	**2**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>Evaluate whether the decision to introduce quality assurance is likely to be beneficial for PAIR.
<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>
</table></td><td>12</td></tr>
</table>

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3(c)

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

Responses may include:

AO1 Knowledge and understanding

Limited knowledge K *will be demonstrated through knowledge of quality assurance*
Developed knowledge K + K *will be demonstrated through knowledge of quality assurance and knowledge of how it impacts PAIR*

- Quality assurance: a system of agreeing and meeting quality standards at each stage of production.
- Contrast to quality control which is checking based on inspection of the product or a sample of products.

Knowledge of benefits might include:
- Less waste.
- Problems identified during process.
- Need for final inspection reduced or removed.
- Easier to trace where faults occur.
- Employees have greater responsibility for making sure their work meets standards.
- Greater employee involvement in decision making.

12

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Question	Answer	Marks
3(c)	Disadvantages of (introducing) quality assurance • Cost of training for employees to fulfil responsibilities. • Initial drop in output. • Employees may demand higher wages for greater responsibility. • Increased pressure on employees. • Employees may be resistant to change. **AO2 Application** *Limited application,* APP *applies knowledge to PAIR once.* *Developed application,* APP + APP *applies knowledge to PAIR twice.* Links case material to quality assurance • PAIR sells B2B. • Effective QA might prevent disasters such as the battery fire. • Robots are leased to customers. • Competitive industry – reputation is important. • Decrease in labour turnover from 10 % in 2023 to 4 % in 2024. • Productivity has decreased from 2125 units per worker in 2023 to 2100 in 2024. • Productivity in 2024 was below the target of 2200. • Increase in the percentage of KB1 output failing to meet quality standards in 2024. • Commitment to R&D spending above the industry average. **AO3 Analysis** *Limited analysis* AN *- candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *- candidate shows two or more links in the chain of analysis or balanced argument.* • Faults with products will be identified ensuring that quality standards are met which will increase customer satisfaction AN and this will increase the number of customers who choose to extend their lease for robots resulting in an increase in revenue L2 AN • As employees are responsible for checking the robot cleaners for faults APP there will be less waste of materials which will reduce costs AN resulting in an increase in profits L2 AN • Employee checking of quality will reduce costs and therefore enable PAIR to offer more competitive prices AN resulting in an increase in sales and therefore profit L2 AN	**12**

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Question	Answer	Marks
3(c)	• Greater responsibility for quality may increase the motivation of employees which will lead to an increase in work effort and productivity AN and therefore increase output of KB1s L2 AN • Introducing QA will require training of employees leading to an increase in costs AN • Adapting to QA may reduce the productivity of employees due to resistance to change resulting in less production of KB1s AN and therefore reduce profit L2 AN **AO3 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.* • Supported judgement as to overall benefit of quality assurance to PAIR. – Critical to PAIR as robots are leased to customers and therefore if the robots are substandard business will end their lease resulting in a loss of sales and profits for PAIR. • Factors that the impact might depend on: – Extent to which customers value quality above price. – The cost to PAIR of substandard production – significant costs as PAIR has a target to solve customer problems within 24 hours. Therefore, PAIR must always have technical staff on hand to deal with customer problems. – The quality of the workforce in terms of skills and training and its willingness to adapt to the changes that QA requires. – Quality assurance needs to be part of an integrated approach with other functional departmental decisions.	**12**

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Question	Answer	Marks
3(c)	**Exemplar evaluation and levels** L1 Limited evaluation Quality assurance should reduce the number of defective KB1 robots in the long run, outweighing the short-run cost of training employees. Comment: Judgement made but with limited supporting comment even though there is context. L2 Developed evaluation Overall, introducing quality assurance will be beneficial to PAIR as employees will benefit from being empowered to take responsibility for quality resulting in a decrease in faulty output. This means PAIR can gain long-term benefits from an improved reputation for quality leading to greater sales of their products. This will outweigh the short term training costs of ensuring employees can take responsibility for quality. Comment: EVAL is sufficiently developed but could apply to any business as there is no context, so limit to L2. L3 Developed evaluation in context. In the short-term introducing quality assurance will be more costly to the business as employees need training there could be an initial reduction in productivity as shown by the data in 2024 compared to 2023 and an increase in faulty KB1 robots as employees adjust to the new demands of taking responsibility for quality. However, in the longer term, as quality assurance becomes embedded at PAIR there should be a reduction in faulty output of robots and less chance of the sort of failure that led to the fire at a school due to a KB1 overheating. Overall maintaining quality standards is essential to the reputation of PAIR and maintaining its market leadership so quality assurance if implemented effectively can support continued success. Comment: Balanced EVAL with points firmly in the context of the case material leading to an overall supported judgement. This would be 6 marks for evaluation. **In awarding EVAL marks examiners should take a holistic approach to the answer considering its balance and judgement.**	**12**

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

Using the data in Table 1.2, calculate the dividend cover for 2024.

Indicative content:

<table>
<tr><th>Note</th><th>Answer</th><th>Marks</th></tr>
<tr><td>Correct answer: method does not need to be shown</td><td>4 / 0.56 = 7.14 OR 7.1 OR 7 (times)</td><td>4</td></tr>
<tr><td>Incorrect units OR
Correct method but incorrect or no final answer OR
Dividend cover for 2023</td><td>$7.14 OR 7.14 m OR 7.14 % OR
Dividend cover = 4 / 0.56

Dividend cover = 1.8 / 0.56 = 3.21</td><td>3</td></tr>
<tr><td>Calculation of profit for the year OR
Calculation of profit for the year AND
Relevant dividend cover formula</td><td>Profit for the year = 10.4 m – 6.4 m = $4 m OR
Profit for the year = 10.4 m – 6.4 m = $4 m AND
Dividend cover = profit for the year/dividend paid</td><td>2</td></tr>
<tr><td>Relevant correct formula
OR
Profit for the year 2023</td><td>Dividend cover = profit for the year/dividend paid OR
Profit for the year = operating profit – interest and tax
Profit for the year 2023 = 5.85 – 4.05 = $1.8</td><td>1</td></tr>
<tr><td colspan="2">No creditable work
To award zero marks, there must be at least one ✗</td><td>0</td></tr>
</table>

Note:
Own Figure Rule applies
Incorrect calculation using operating profit rather than PFY 10.4 / 0.56 = 18.57 (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 whether PAIR should increase dividends to shareholders in 2025.

<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>
</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
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></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>

Responses may include:

AO1 Knowledge and understanding
Limited knowledge K *will be demonstrated through knowledge of one relevant point*
Developed knowledge K + K *will be demonstrated through knowledge of two relevant points.*
- Shareholders provide capital for the business.
- Dividends are the reward for risking investment in the business.
- Knowledge of relevant shareholder ratios including dividend cover and dividend per share.

Reasons for increasing dividends
- To attract future investors.
- Keep existing shareholders happy.

Reasons for not increasing dividends
- Lack of profits.
- Lack of working capital
- Future growth plans.

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

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Question	Answer	Marks
4(b)	**AO2 Application** *Limited application,* APP *applies knowledge to PAIR once.* *Developed application,* APP + APP *applies knowledge to PAIR twice.* • Dividend cover has increased significantly from 3.2 in 2023 to 7.1 in 2024. • Revenue and profits have increased. • Increase in OPM from 9 % to 10.95 %. • Possible flotation of PAIR on stock market. • Liquidity problems suggested by deterioration in current ratio. • Gearing has increased by 5 % points. • PAIR's commitment to R&D expenditure. • Shareholder dissatisfaction with dividends. **AO2 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.* • PAIR may wish to raise finance for expansion by going public. It is therefore important to attract potential investors to invest AN This can be achieved by increasing dividends to make share ownership more financially attractive and increase the initial share price offer. L2 AN • The dividend cover has increased from 3.2 to 7.14 which indicates that PAIR can afford to pay more dividends to shareholders AN • The current ratio is only 0.8:1 indicating that PAIR may be unable to pay its short-term liabilities and therefore faces a potential liquidity crisis AN therefore PAIR cannot afford to pay higher dividends to shareholders as it will put further strain on its working capital. L2 AN	**12**

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Question	Answer	Marks
4(b)	**AO3 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.* • Justified conclusion whether PAIR should pay higher dividends. – Can't afford to due to limited working capital. – Kaarina owns 70 % of shares so she can ignore other shareholders. – Continued investment in R&D is essential to maintain PAIR's leading market share therefore need to keep retained profits high. • Supported judgement as to the most important factor in the decision. • Financial data is limited for making the decision. • Attitude and goals of Kaarina is critical to the decision as she is the major shareholder. She appears to be more interested in other goals rather than maximising her short-term returns. Accept all valid responses. **Exemplar evaluation and levels** L1 Limited evaluation Overall, the dividend payment to shareholders should be increased as shareholders are unhappy which will negatively impact the ability of PAIR to raise further capital from shareholders in the future. Comment: Judgement made but with limited supporting comment and limited context. L2 Developed evaluation PAIR should not increase dividends to shareholders as this would reduce retained profits and therefore reduce funds available for expansion. However, increasing dividends now could result in shareholders being more willing to invest in PAIR in the future. Overall, the decision depends on the financial health of PAIR and whether shareholders are likely to be the main source of finance in the future. Comment: EVAL is sufficiently developed but could apply to any business as there is no context, so limit to L2. If you took the name out of this paragraph it could apply to any business.	**12**

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Question	Answer	Marks
4(b)	L3 Developed evaluation in context PAIR should not increase dividends to shareholders as this would reduce retained profits and therefore reduce funds available for Kaarina's plans for PAIR enter new international markets. However, increasing dividends could result in shareholders being more willing to invest in PAIR in the future, especially as the dividend cover has more than doubled. This would support the possible change of PAIR to a public limited company which is being considered by Kaarina. However, overall, the decision depends on the financial health of PAIR and the decreasing current ratio in 2024 suggests that the business may not be able to afford to pay shareholders more due to insufficient working capital. Comment: Well balanced answers using the case context to develop argument. **In awarding EVAL marks examiners should take a holistic approach to the answer considering its balance and judgement.**	**12**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>
Evaluate the importance of Research and Development (R&D) to PAIR's future success.
<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>
</table>
</td><td>12</td></tr>
</table>

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<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
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></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>

Note: References to market research must relate to the R&D process.

Responses may include:

AO1 Knowledge and understanding

Limited knowledge K *will be demonstrated through knowledge of R&D* ***or*** *its impact.*
Developed knowledge K + K *will be demonstrated through knowledge of R&D* ***and*** *its impact.*

Definition of R&D
- The scientific research and technical development of new processes and products.

Benefit of R&D
- Increased sales.
- Competitive advantage.
- Greater control over prices.

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

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Question	Answer	Marks
5	Limitations of R&D • Risk of failure. • Cost. • Impact on cash flow. • Time taken to develop new products. **AO2 Application** *Limited application,* APP *applies knowledge to PAIR once.* *Developed application,* APP + APP *applies knowledge to PAIR twice.* • Contribution of KB1 series to growth of PAIR. • Cost: 7% of revenue is $6.65m in 2024. • New market opportunities from Delbot in hospitality industry. • Competitive market for cleaning robots. • Linking R&D to liquidity problems indicated by current ratio. • PAIR's R&D spending is relatively more than the industry average. **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 new products opens up new market opportunities which may lead to an increase in sales AN and therefore increase profit L2 AN • R&D can improve products sold by PAIR thus giving the business a competitive edge AN and therefore increase sales L2 AN • R&D can improve brand image of PAIR and therefore justify an increased leasing charge to customers AN potentially resulting in higher profit L2 AN • The short run impact of R&D is to cause cash outflows which will reduce PAIR's liquidity AN requiring financing which may cause an increase in gearing and risk L2 AN	**12**

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Question	Answer	Marks
5	**AO3 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.* Identification and/or development of factors that the success of R & D will depend on: • Understanding of needs of customers. • Marketing of new products to customers. • Extent to which R&D results in PAIR being able to differentiate itself from competitors. • Time taken to bring new products to market due to short life cycle of technology products. • Ability of PAIR to finance the expenditure without causing liquidity problems. • Competitor actions. • Extent to which PAIR can protect its intellectual property with patents. Identification and/or development of other influences on success • The state of the economy. • Financial health of the business. Supported judgement as to importance of R&D **Exemplar evaluation and levels** L1 Limited evaluation Overall, R&D could help PAIR to develop new products and improve its competitiveness in the market, but the effectiveness depends on the quality of employees and the actions of competitors Comment: Judgement made but with limited supporting comment. L2 Developed evaluation Investment in R&D does not guarantee success. Although R&D can increase the chances of bringing new products to market which could differentiate PAIR from its competitors the success ultimately depends on whether competitors develop better products which consumers prefer. However, not investing in R&D would be a very high-risk decision in a technologically driven market.	**12**

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Question	Answer	Marks
5	Comment: EVAL is sufficiently developed for L2, but the context is too limited to justify the award of L3 marks. L3 Developed evaluation in context. Investment in R&D does not guarantee success. PAIR'S relatively high spending on R&D which is above the industry average has contributed to its market leadership in 2024. However, although R&D could increase the chances of bringing new robots to market and thus differentiate PAIR from its competitors the success ultimately depends on whether competitors develop better cleaning robots which consumers prefer. However, not investing in R&D would be a very high-risk decision in a technologically driven market such as the cleaning robot market where there is lots of competition. Comment: Well-balanced conclusion in context of case L3. **In awarding EVAL marks examiners should take a holistic approach to the answer considering its balance and judgement.**	**12**

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