Cambridge International AS & A Level

**Cambridge Assessment International Education**
Cambridge International Advanced Subsidiary and Advanced Level

**BUSINESS** **9609/33**

Paper 3 Case Study **October/November 2018**

MARK SCHEME

Maximum Mark: 100

**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.

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## Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

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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## General Marking Guidance

- Marking should be positive: marks should not be subtracted for errors or inaccuracies.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.
- Errors that are carried forward (e.g. when an incorrect numerical answer to one part of a question is used as the starting point for a calculation in the next part of the question) should not be compounded – use the 'own figure rule'.
- Poor spelling, handwriting or grammar should not be penalised as long as the answer makes sense.
- The main RM Assessor annotations to be used are K (Knowledge), APP (Application), AN (Analysis), EVAL (Evaluation). For each of these four annotations, the number of marks awarded for that assessment objective must match the number of times that annotation is on the answer.
- Only award EVAL if the candidate has also demonstrated APP.
- If there is no relevant K (Knowledge) no marks can be awarded.
- Blank pages on a script should be annotated as SEEN.
- A blank space, dash, question mark and a response that bears no relation to the question constitutes a 'no response'.
- In Section B, candidates answer either Question 6 or Question 7. The Section B question that the candidate does not answer must be entered as 'no response'.
- Blank pages, or pages that contain crossed out material, must be annotated using 'seen'.
- Accept any reasonable answer (ARA) when awarding marks. The suggestions for content in the mark scheme are neither exhaustive nor required.

***This mark scheme includes a summary of appropriate content for answering each question. It should be emphasised, however, that this material is for illustrative purposes and is not intended to provide a definitive guide to acceptable answers. It is quite possible that among the scripts there will be some candidate answers that are not covered directly by the content of this mark scheme. In such cases, professional judgement should be exercised in assessing the merits of the answer and the senior examiners should be consulted if further guidance is required.***

***Application marks are not awarded for repeating material from the case study. Application is by answering in the context of the case or by using the information in the case to help answer the question.***

- The words that are written in an answer should be assessed. Where candidates' answers do not state an intended meaning but this meaning is very clearly discernible credit may be given by discretion.
- In numerical answers, units are required.
- Answers that contain poor handwriting are not to be penalised. Examiners should mark what they can read and make a note to that effect. Where this is a significant factor Cambridge should be notified.
- An answer consisting of a list should be assessed. It is unlikely that such a response will score highly in the levels in each Assessment Objective.
- If an answer does not fit on the lined paper it should still be assessed as if it did.

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

**Analyse how the proposed changes in the fiscal policy of the Government in country X could affect BKC.**

<table>
<tr><th>Level</th><th>AO1<br>3 marks</th><th>AO2<br>2 marks</th><th>AO3<br>5 marks</th></tr>
<tr><td>2</td><td>3 marks<br>Good knowledge shown of fiscal policy changes</td><td>2 marks<br>Application of at least 2 fiscal policy changes to case</td><td>3–5 marks<br>Good use of theory or reasoned argument to explain how impact results from fiscal policy changes</td></tr>
<tr><td>1</td><td>1–2 marks<br>Some knowledge of fiscal policy changes</td><td>1 mark<br>Some application of fiscal policy change(s) to case</td><td>1–2 marks<br>Some use of theory or reasoned argument e.g. how one impact results from fiscal policy change</td></tr>
<tr><td>0</td><td colspan="3">No relevant content</td></tr>
</table>

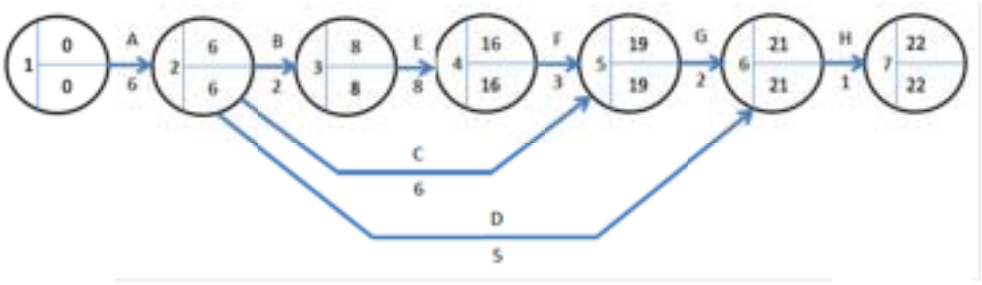
Comment on the free trade deal without reference to change in tariffs is not fiscal policy so no K

**Knowledge:**
- Definition of fiscal policy – government spending and taxation
- Higher income tax/direct tax – reduces disposable/discretionary incomes.
- Higher indirect/sales taxes will raise prices of goods sold in shops.
- Lower defence spending – cutting size of army.

**Application:**
- L1 APP for reference to any change stated in case study if understood
- Demand for clothing will be affected by lower disposable incomes/higher prices.
- Demand for army uniforms will fall.
- Reference to impact on factories in country X

**Analysis:**
- YED for clothing may be positive so lower disposable incomes will reduce demand for BKC products.
- Sales tax will increase costs to BKC therefore will supply less at any given price. As price increases there will be a contraction of demand. Thus, revenue will decrease.
- Impact on demand from sales tax will depend on PED.
- Lower demand for army uniforms will reduce revenue, making this BKC factory less profitable and it may face closure.

</td><td>10</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)(i)</td><td>Refer to Appendix 1.<br><br>Draw a network diagram for the new factory project<br><br>• completely correct and labelled network diagram – see below (4 marks)<br>• one error (3 marks)<br>• 2 or more errors but most logical dependencies correct (2 marks)<br>• Some knowledge shown (1 mark)<br><br>
</td><td>4</td></tr>
<tr><td>2(a)(ii)</td><td>Identify all of the ESTs and LFTs of the activities.<br><br>If no answer given then check diagram from 2(a)(i)<br><br>
<table>
<tr><th>Activity</th><th>EST</th><th>LFT</th></tr>
<tr><td>A</td><td>0</td><td>6</td></tr>
<tr><td>B</td><td>6</td><td>8</td></tr>
<tr><td>C</td><td>6</td><td>19</td></tr>
<tr><td>D</td><td>6</td><td>21</td></tr>
<tr><td>E</td><td>8</td><td>16</td></tr>
<tr><td>F</td><td>16</td><td>19</td></tr>
<tr><td>G</td><td>19</td><td>21</td></tr>
<tr><td>H</td><td>21</td><td>22</td></tr>
</table>
<br>All ESTs correct 2 marks<br>All LFTs correct 2 marks<br><br>• all correct (probably shown on diagram but may be in table – OFR) (4 marks)<br>• 1 or 2 errors (3 marks)<br>• 3 or 4 errors (2 marks)<br>• some understanding shown (1 mark)</td><td>4</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>

**Discuss whether the Operations Director is right to be confident that the new factory project will be completed in 23 weeks.**

<table>
<tr><th>Level</th><th>AO1<br>2 marks</th><th>AO2<br>2 marks</th><th>AO3<br>4 marks</th><th>AO4<br>4 marks</th></tr>
<tr><td>2</td><td>2 marks<br>Good knowledge of network diagram/CP or other factors shown</td><td>2 marks<br>Good application to case</td><td>3–4 marks<br>Good use of theory or reasoned argument to explain points made</td><td>3–4 marks<br>Good evaluation and judgement shown in answer and conclusion</td></tr>
<tr><td>1</td><td>1 mark<br>Some knowledge of network/CP or other factors shown</td><td>1 mark<br>Some application to case</td><td>1–2 marks<br>Some use of theory or reasoned argument to explain points made</td><td>1–2 marks<br>Some evaluation and judgement shown in answer or conclusion</td></tr>
<tr><td>0</td><td colspan="4">No relevant content</td></tr>
</table>

*Answers could include:*

**Knowledge:**
- Critical path is the length of time needed to complete all critical activities.
- Activities on critical path have no ‘spare’ or ‘float’ time.
- Float times might be used to switch resources.

**Application:**
- 23 weeks gives project just a ‘float’ of 1 week.
- Critical path is: ABEFGH
- Critical activities can only be delayed by max of 1 week.
- Modular building system untried.
- Building parts coming from country Y
- Industrial action could be caused by redundancies / way information communicated
- Planning permission may take longer than 6 weeks
- Float for activities C and D (C = 6 weeks; D = 10 weeks)
- If critical activities e.g. E, do over run some resources on non-critical activities might be directed towards them.
- The 22 weeks assumes that all activities run to time yet they were estimated times.

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

| Question | Answer | Marks |
|---|---|---|
| 2(b) | **Analysis:**<br>• Planning of when resources are needed can ensure that they are available when needed and thus it is more likely that the project will be completed on time<br>• Calculating the EST for each activity allows the operations manager to order special equipment needed for that task at the correct time<br>• Targets set will help motivate staff and increase efficiency and thus reduce time taken to complete the project<br>• It provides a useful control tool for operations. The manager will be able to see whether the project is on schedule by checking the actual completion times against the network LFT. Can then take remedial action if necessary to get project back on track if there are delays.<br>• The need to put all activities into sequence forces managers to plan each project carefully<br><br>**Evaluation:**<br>• Some uncertainties: industrial action caused by redundancies and the way they were communicated; use of new building method – is time forecast accurate?<br>• Planning permission might take longer – bureaucratic administration of local authority?<br>• Cannot be that confident – depends on his skills as a project leader/resource manager. | |

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3</td><td>

**Evaluate the implications of increasing globalisation for BKC's future marketing plans.**

<table>
<tr><th>Level</th><th>AO1<br>2 marks</th><th>AO2<br>2 marks</th><th>AO3<br>6 marks</th><th>AO4<br>6 marks</th></tr>
<tr><td>2</td><td>2 marks<br>Good knowledge of marketing plans /globalisation/ economic collaboration or BRICS</td><td>2 marks<br>Good application to the case</td><td>4–6 marks<br>Good use of theory or reasoned argument to explain how globalisation might impact on marketing plans</td><td>4–6 marks<br>Good evaluation and judgement shown about impact of globalisation on marketing plans</td></tr>
<tr><td>1</td><td>1 mark<br>Some knowledge of marketing plans /globalisation/ economic collaboration or BRICS</td><td>1 mark<br>Some application to case</td><td>1–3 marks<br>Some use of theory or reasoned argument to explain impact of globalisation on marketing plans</td><td>1–3 marks<br>Some evaluation and judgement shown about impact of globalisation on marketing plans</td></tr>
<tr><td>0</td><td colspan="4">No relevant content</td></tr>
</table>

This is not a question about operations e.g. outsourcing / moving factories abroad. Focus should be on marketing plan.

**Knowledge:**
- Marketing plans – detailed report on marketing strategy. Includes marketing objectives, budget and marketing mix
- Globalisation – freer trade/movement of capital and people
- Free trade: lower/no import barriers.

**Application:**
- More competition in country X – BKC already sells at above average prices.
- Competition from
- Quotas in country X may be removed
- 2010 market research needs updating
- Sell clothing abroad
- Distribution (place) currently sells 70% through its own 360 shops in country X. Likely to change
- Doesn't sell online. Globalisation a push factor towards online selling

</td><td>16</td></tr>
</table>

| Question | Answer | Marks |
|---|---|---|
| 3 | **Analysis:**<br>• BKC might have to lower prices or establish stronger brand image to compete with international brands now that quotas are abolished for much trade.<br>• BKC will have to research customer needs/tastes more fully and customer relationship marketing could be a key part of the marketing plan<br>• Sell BKC clothes abroad now that free trade is possible – opens up potential new markets.<br>• Closer links and collaboration with BRICS – both buying from and selling to these emerging market economies – BKC could outsource to lower cost country.<br><br>**Evaluation:**<br>• Problems of market development – pan global marketing might not work with clothes given local tastes could be different from country X and different cultures too e.g. Muslim attire.<br>• Using joint ventures with established retailers in other countries might be most effective entry method<br>• Unless BKC builds more flexibility and 'fast fashion' into its marketing plan it could fail as a business once faced with free trade competition. | |

| Question | Answer | Marks |
|---|---|---|
| 4(a) | **Refer to Table 1. Calculate for 2018:** | |
| 4(a)(i) | **inventory turnover**<br><br>• Cost of goods sold/inventories or revenue/inventories (1 mark)<br>• \$210m/\$50m (2 marks)<br>= 4.2 (3 marks)<br>• Accept use of revenue too = 8.4<br>• Accept: (inventories/cost of sales) × 365 = 86.9 days<br>• \$4.2 or \$8.4 or \$86.9 (2 marks)<br><br>2017 figures: = 5 (2 marks) | **3** |
| 4(a)(ii) | **days sales in receivables.**<br><br>Receivables/revenue × 365 (1 mark)<br>\$40m/\$420m × 365 (2 marks)<br>= 34.76 days (3 marks)<br><br>\$34.76 (2 marks)<br><br>2017 figures: = 32.85 days (2 marks) | **3** |

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

**Refer to your results from 4(a) and other information. Recommend <u>two</u> ways in which BKC could improve its financial efficiency. Justify your recommendations.**

<table>
<tr><th>Level</th><th>AO1<br>2 marks</th><th>AO2<br>2 marks</th><th>AO3<br>4 marks</th><th>AO4<br>4 marks</th></tr>
<tr><td>2</td><td>2 marks<br>Good knowledge of two relevant measures</td><td>2 marks<br>Both measures applied to BKC</td><td>3–4 marks<br>Good use of theory and/or reasoned argument to explain impact of measures</td><td>3–4 marks<br>Good judgement shown about both measures</td></tr>
<tr><td>1</td><td>1 mark<br>Understanding of one measure</td><td>1 mark<br>Some application to BKC</td><td>1–2 marks<br>Some use of theory and/or reasoned argument to explain impact of measure(s)</td><td>1–2 marks<br>Some judgement shown</td></tr>
<tr><td>0</td><td colspan="4">No relevant content</td></tr>
</table>

**Examiner Note:**
If only comment on one way then limit to L1 AN & EVAL

Answers that comment on how to increase profitability, liquidity or shareholder ratios are not answering the question. No K.

**Knowledge:**
- Financial efficiency ratios or activity ratios measure how efficiently the resources/assets of a business are being used
- Asset turnover ratio measures how effectively net assets generate revenue
- Trade payables (creditor) days measures how quickly payments are made to creditors
- The lower the amount of capital used in holding inventories the better
- Trade receivables measures how long, on average, it takes the business to recover payment from customers who have bought on credit
- Reduce inventory levels
- Reduce time for debtors to pay
- Increase time to pay creditors
- JIT manufacturing
- Negotiate sale or return with suppliers so that inventory is only paid for when it is sold

**Application:**
- Inventory turnover is increasing – higher than average prices reducing demand?
- Days sales in receivables has increased – retail customers and credit card companies might have delayed payment to retailers.

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

| Question | Answer | Marks |
|---|---|---|
| 4(b) | **Analysis:**<br>• Use JIT in operations – become more flexible in production methods and respond more quickly to customer demand e.g. for changes in fashion. Demand JIT deliveries from suppliers of material.<br>• Reduce time for credit customers to pay and for credit card companies to pay – improves cash flow and liquidity<br>• Offer discounts for quicker payment and this will encourage credit customers to pay more speedily.<br>• Reducing credit availability to customers may result in a loss of sales<br>• Discounts will reduce profitability<br><br>**Evaluation:**<br>• Feedback from customers appears to be poor; need much better information about customers' tastes and potential demand to operate JIT effectively.<br>• Employees may not be responsive to requests for greater flexibility that JIT requires given that communication is poor.<br>• Discounts reduce gross profit margin which is against the new long term aim. This might be squeezed in future, anyway, with greater international competition coming in to country. | |

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

**Assess how BKC could best improve communication with employees <u>and</u> customers.**

<table>
<tr><th>Level</th><th>AO1<br>2 marks</th><th>AO2<br>2 marks</th><th>AO3<br>6 marks</th><th>AO4<br>6 marks</th></tr>
<tr><td>2</td><td>2 marks<br>Good under-standing of commun-ication</td><td>2 marks<br>Ways of improving communication applied to BKC e.g. both customers and workers of BKC</td><td>4–6 marks<br>Good use of theory or reasoned argument to explain impact of ways of improving communication</td><td>4–6 marks<br>Good judgement and evaluation of ways of improving communication to both groups</td></tr>
<tr><td>1</td><td>1 mark<br>Some under-standing of commun-ication</td><td>1 mark<br>Some application to BKC</td><td>1–3 marks<br>Some use of theory or reasoned argument to explain impact of ways of improving communication</td><td>1–3 marks<br>Some evaluation and judgement of at least one way of improving communication</td></tr>
<tr><td>0</td><td colspan="4">No relevant content</td></tr>
</table>

*Answers could include:*

**Knowledge:**
- Barriers to communication; methods of communication allowing 2-way communication; IT based methods.

**Application:**
- Problems with worker communication: noisy; no feedback; use of written media.
- Problems with customers: little feedback – does not seem to be encouraged via shop/shop workers and no use of IT such as social media.

**Analysis:**
- Use meetings/quality circles – perhaps at start of day or break times or end of day (should workers be paid for these?). Allows feedback and suggestions for operational improvements – as with competitor.
- Use social media to build up longer term relationships with customers which will provide useful information about tastes, likes and dislikes as well as providing useful channel for communication.

</td><td>16</td></tr>
</table>

| Question | Answer | Marks |
|---|---|---|
| 5 | **Evaluation:**<br>• Needs a new management approach and style of leadership – putting both customers and workers at the centre of marketing/operations and not 'peripheral'.<br>• Investment in IT and a social media team needed – considerable cost involved. Social media can be used against the business too e.g. customers can communicate easily between themselves too. | |

| Question | Answer | Marks |
|---|---|---|

**For use with Questions 6 and 7**

| Level | AO1<br>3 marks | AO2<br>3 marks | AO3<br>4 marks | AO4<br>10 marks |
|---|---|---|---|---|
| **3** | | | | 6–10 marks<br>Good evaluation and judgement shown in answer and conclusion |
| **2** | 3 marks<br>Good knowledge shown | 3 marks<br>Answer well applied to case | 3–4 marks<br>Good use of theory or reasoned argument | 3–5 marks<br>Some evaluation and judgement shown in answer or conclusion |
| **1** | 1–2 marks<br>Some knowledge shown | 1–2 marks<br>Some application to the case | 1–2 marks<br>Some use of theory or reasoned arguments | 1–2 marks<br>Some evaluation and judgement shown |
| **0** | No relevant content | | | |

| Question | Answer | Marks |
|---|---|---|
| 6 | **Evaluate the importance of strategic analysis to BKC when planning to achieve its new long term objective.**<br><br>*Answer could include:*<br><br>**Knowledge:**<br>• First stage of strategic decision making<br>• Assesses internal and external environment – 'Where are we now?'<br>• Techniques include SWOT/PEST/Porter/ Boston matrix/core competencies.<br><br>**Application:**<br>• Objective is to maximise returns to shareholders and ROCE above industry average<br>• New long term aim needs new strategies – strategic analysis will help to identify these<br>• Existing data out of date e.g. 2010 customer survey.<br><br>**Analysis:**<br>• By knowing how the business can get from where it is now to where it wants to be i.e. the new long term aim of the business, then the chances of strategic success are greater.<br>• New aims require new strategies and these need strategic analysis as a starting point<br>• Important when external environment is subject to change e.g. free trade/ globalisation/fiscal policy changes – PEST analysis will allow detailed insight into how these changes might affect BKC and make future strategic choices more likely to be effective.<br>• Answers could include an attempt to undertake one or two strategic analysis techniques – only award 'analysis' if the points are explained in terms of how they might help BKC.<br><br>**Evaluation:**<br>• These techniques need to be updated especially as in BKC's case the external environment is likely to change significantly; some techniques can depend on rather subjective views.<br>• It is only one part of strategic management – choice and implementation will be important too e.g. between strategies 1 or 2 and the need for BKC management to be flexible and prepared to communicate effectively when introducing new strategies. | **20** |

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| Question | Answer | Marks |
|---|---|---|
| 7 | **Evaluate whether the information in Appendix 2 is sufficient to allow the Board of BKC to make the strategic choice between strategy 1 and strategy 2.**<br><br>*Answers could include:*<br><br>**Knowledge:**<br>• Decision tree understanding<br>• Investment appraisal understanding<br>• Porters 5 forces model understanding<br>• Market penetration less risky than product development.<br><br>**Application:**<br>• 1 gives increased market power and subject to government investigation/control<br>• 2 is in a 'crowded' market with other competitors<br>• 2 to same customers – tastes may be known<br>• 1 gives BKC wider customer base<br><br>**Analysis:**<br>• Market power – some opportunity to control prices (raising profit margins?) and important to face increased international competition<br>• Wider customer base – important if customer incomes are being squeezed by fiscal policy as customers may prefer lower priced clothing<br>• Sale of complementary goods with 2 will increase revenue – these products might have higher gross profit margin than clothes.<br><br>**Evaluation:**<br>• DT and Payback data – how reliable are these estimates when the future for clothing industry in country X is so uncertain?<br>• 2: Will BKC be able to manufacture these new products to required standard?<br>• Final conclusion regarding the sufficiency of data based on preceding analysis – may include supported reasoning why other data is important in this decision. | **20** |