Cambridge International AS & A Level

Cambridge Assessment International Education
Cambridge International Advanced Subsidiary and Advanced Level

BUSINESS **9609/22**

Paper 2 Data Response **October/November 2019**

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.

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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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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(a)(i)</td><td>

Define the term 'training' (line 27).

Knowledge	Marks
A correct definition	2
A partial, vague or unfocused definition	1
No creditable content	0

Note: this is a definition question so there are no marks for examples of training, i.e. on-the-job, off-the-job and induction.

Content
A correct definition should include the following elements:
- The teaching/development of skills/knowledge (1)
- To perform a task, become more efficient, increase productivity, meet organisation/departmental/job objectives, etc. (1)

Exemplar	Marks	Rationale
Training involves developing skills so that workers can do their job more efficiently	2	Both elements covered
Making an employee better at doing their job	1	'Better at doing their job' is enough for one mark
Helping an employee to develop skills	1	'Developing skills' is enough for one mark
The person who is employed by an organisation to do a job who needs experience before they can do their job	0	NAQ – describing a trainee
Training can be on the job or off the job	0	No marks for an example as this is a definition question

</td><td>2</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(a)(ii)</td><td>

Briefly explain the term ‘entrepreneur’ (line 3).

Award one mark for each point of explanation:

<table>
<tr><th>Rationale</th><th>Marks</th></tr>
<tr><td>Three characteristics of an entrepreneur</td><td>1</td></tr>
<tr><td>Two characteristics of an entrepreneur</td><td>1</td></tr>
<tr><td>One characteristic of an entrepreneur</td><td>1</td></tr>
</table>

Content
Allow any reasonable characteristic of an entrepreneur, for example:
- Risk taking
- Innovative
- Multi-skilled
- Leader
- Resilience/able to bounce back
- Sets up a business
- Passion
- Self-confidence
- Ambition
- Hardworking
- Persuasive
- Aiming for profit (do not allow ‘get rich’ – too vague)
- Makes decisions
- One of the factors of production (entrepreneurship)
- Organises the factors of production
- An example of an entrepreneur (do not allow Seojun)

Only reward each characteristic once.

</td><td>3</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(a)(ii)</td><td>ARA
<table>
<tr><th>Answer</th><th>Marks</th><th>Rationale</th></tr>
<tr><td>An entrepreneur is a risk-taker (1) who tries to make a profit (1) by organising the factors of production (1)</td><td>3</td><td>Three characteristics</td></tr>
<tr><td>Someone who makes decisions (1) about factors of production (1) to make a profit (1)</td><td>3</td><td>Three characteristics</td></tr>
<tr><td>An entrepreneur works hard (1) and has confidence (1)</td><td>2</td><td>Two characteristics</td></tr>
<tr><td>Someone who organises the land that a business needs (1). They also organise the amount of workers a business needs and they also organise the capital that a business may need</td><td>1</td><td>Only one mark for ‘organising’ the factors of production – do not keep rewarding the same characteristics</td></tr>
<tr><td>An entrepreneurship is one of the factors of production</td><td>0</td><td>NAQ</td></tr>
</table></td><td></td></tr>
<tr><td>1(b)(i)</td><td>Refer to Table 1.1. Calculate the percentage change in profit from Year 1 to Year 2.
<table>
<tr><th>Rationale</th><th>Marks</th></tr>
<tr><td>Correct answer with or without correct working or %</td><td>4</td></tr>
<tr><td>Correct calculation of the change in profit</td><td>3</td></tr>
<tr><td>Correct calculation of Year 1 and Year 2 profit</td><td>2</td></tr>
<tr><td>Formula or correct calculation of Year 1 or Year 2 profit</td><td>1</td></tr>
<tr><td>No creditable content</td><td>0</td></tr>
</table>
Content
Profit = TR – TC
Year 1 profit = 120 000 – (70 000 + 20 000) = 30 000
Year 2 profit = 240 000 – (110 000 + 40 000) = 90 000

Change in profit = 60 000

% change = $\frac{60\,000}{30\,000} \times 100 = 200\%$ (increase)

Correct answer – 200%</td><td>4</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)(i)</td><td>

OFR*

Common incorrect answers

<table>
<tr><th>Answer</th><th>Marks</th><th>Rationale</th></tr>
<tr><td>200 (no working)</td><td>4</td><td>Candidate does not need to include the % sign</td></tr>
<tr><td>$\frac{60\,000}{30\,000} = 2$</td><td>3</td><td>Correct calculation of the change in profit (60 000) but not calculated the percentage change</td></tr>
<tr><td>2 (no working)</td><td>0</td><td>An incorrect answer with no working to understand where the answer comes from</td></tr>
<tr><td>$\frac{60\,000}{90\,000} \times 100 = 67\%$</td><td>3</td><td>Correct calculation of the change in profit (60 000) but incorrectly calculated the percentage change</td></tr>
<tr><td>60 000 (no working)</td><td>3</td><td>Correct calculation of the change in profit</td></tr>
<tr><td>30 000 (no working)</td><td>1</td><td>Correct calculation of Year 1 profit</td></tr>
<tr><td>90 000 (no working)</td><td>1</td><td>Correct calculation of Year 2 profit</td></tr>
<tr><td>$\frac{90\,000}{30\,000} \times 100 = 300\%$</td><td>2</td><td>Correctly identified the two profit figures, but no attempt to find the difference</td></tr>
</table>

**OFR means the use of the own figure rule – this aims to reward a candidate for the stages of a calculation that are correct, even if an earlier stage or figure used is incorrect. An early mistake, for example, would create all following calculations to have wrong answers, but these are still rewardable (if correct when using a candidate's own figures) Therefore the candidate cannot gain marks for the stage that was incorrect, but can gain all the subsequent marks.*

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

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)(ii)</td><td>

Explain <u>one</u> difficulty in measuring the market share of QF.

<table>
<tr><th>Level</th><th>Knowledge and Application</th><th>Marks</th></tr>
<tr><td>2 (APP)</td><td>Explanation of a difficulty with measuring market share in context</td><td>2</td></tr>
<tr><td>1 (K)</td><td>Identification of a difficulty with measuring market share</td><td>1</td></tr>
<tr><td>0</td><td>No creditable content</td><td>0</td></tr>
</table>

Content

- How is the market share measured? Number of fences? Revenue?
- Where are the boundaries of City X?
- How much fence building and repair is in the informal market – does this affect the market share?
- Where has the research come from – Seojun has only been in the market for two years, so can he be sure of the data?
- The market may be out of date – it is a very competitive market
- Which products are involved – is it just wooden fences, all fences or any maintenance work?

ARA

Example of how responses should be marked

<table>
<tr><th>Identification of a difficulty (1 mark)</th><th>Explanation of a difficulty in context (3 marks)</th></tr>
<tr><td>How is it measured (K)</td><td>By number of fences or time that it takes (APP)</td></tr>
<tr><td>How has the data been gathered (K)</td><td>Seojun has only been in the market for two years, so may not have enough experience to know (APP)</td></tr>
<tr><td>The market might have changed (K)</td><td>Very competitive market (APP)</td></tr>
</table>

</td><td>**2**</td></tr>
</table>

Question	Answer	Marks
1(c)	**Analyse <u>two</u> problems with the job description created by Seojun in Table 1.2.**	**8**

Level	Knowledge and Application (4 marks)	Marks	Analysis (4 marks)	Marks
2b	Shows understanding of **two** characteristics of a job description in context	4	Good analysis of an effect <u>on the business</u> of **two** problems with the job description	4
2a	Shows understanding of **one** characteristics of a job description in context	3	Good analysis of an effect <u>on the business</u> of **one** problem with the job description	3
1b	Shows knowledge of **two** characteristics of a job description	2	Limited analysis of **two** problems of a job description	2
1a	Shows knowledge of **one** characteristic of a job description	1	Limited analysis of **one** problem of a job description	1
0	No creditable content			0

Content
A job description describes the tasks, or functions, and responsibilities of a role within an organisation.

Problems:
- 'As soon as possible' – with no date on the description, some potential workers may think this is out of date and not apply
- Salary should not be based on age – this suggests age discrimination. May be illegal and the business could face sanctions. May only attract older workers (for the perceived higher wage)
- Why would this role need A-Levels? This is likely to put off potentially good workers because they do not have the qualifications. In some countries A-Levels are uncommon, so this might be a very unlikely qualification. This is unlikely to get a good range of applicants
- Qualifications should appear on the person specification rather than the job description – may confuse potential applicants
- 'Workman' – this is sexist and may lead to sanctions on the business. Also, may miss out on good female applicants
- 'Local business' – local to where – with no address applicants may assume it is local to them, wherever they are
- Experience is essential, but full training will be given – too ambiguous – if full training is given why is experience needed?
  - Experience should appear on the person specification
  - How many applicants is QF likely to receive if Seojun requires experience of both building and repairing?

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(c)</td><td>ARA
<table>
<tr><th>Example of an aspect of a job description (K)</th><th>Examples of application/context (APP)</th><th>Examples of possible analysis (AN + DEV)</th></tr>
<tr><td>A job description contains the experience needed (K)</td><td>In this case experience of building and repairing fences is essential (APP).</td><td>This might mean that Seojun might not get any people applying (AN) which may mean QF cannot grow in the future (DEV)</td></tr>
</table></td><td></td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(d)</td><td>
Recommend suitable promotion methods which would help Seojun to achieve his objectives.
<table>
<tr><th>Knowledge and Application (4 marks)</th><th>Marks</th><th>Analysis and Evaluation (7 marks)</th><th>Marks</th></tr>
<tr><td></td><td></td><td>Justified recommendation based on argument in context</td><td>7</td></tr>
<tr><td></td><td></td><td>Developed recommendation based on argument in context</td><td>6</td></tr>
<tr><td></td><td></td><td>An evaluative statement/recommendation based on argument in context</td><td>5</td></tr>
<tr><td>Shows understanding of two (or more) promotion methods in context</td><td>4</td><td>Argument based on two promotion methods in context</td><td>4</td></tr>
<tr><td>Shows understanding of one promotion method in context</td><td>3</td><td>Argument based on one promotion method in context</td><td>3</td></tr>
<tr><td>Shows knowledge of two promotion methods</td><td>2</td><td>Limited analysis of two promotion methods</td><td>2</td></tr>
<tr><td>Shows knowledge of one promotion method</td><td>1</td><td>Limited analysis of one promotion method</td><td>1</td></tr>
</table>
Note: If the candidate has attempted to analyse more than two promotion methods, then annotate the one that gain the most marks for the candidate.

Content
• Posters – cost effective and could be effective in the local area
• Local TV/radio/newspaper – reach a large local audience – mass market product (many people may have access to a garden)
• Other forms of local advertising – buses, roadside, etc.
</td><td>11</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(d)</td><td>

- Garden centres/alongside complementary products
- Direct promotion – door to door sales, especially if a ‘bad’ fence is spotted
- Word of mouth – likely to be essential in this industry, but difficult to control
- Internet – many recommendation websites – social media promotion – can be cheap and targeted, but do many people hire services this way? *Allow the benefit of internet promotion allowing more online bookings.*
- Promotional pricing is a valid method – but only if it is specifically linked to promotion, e.g. BOGOF. Do not reward pricing strategies/changes on their own

Note: Allow above-the-line and below-the-line as promotion methods. Also allow two different types of advertising (i.e. newspaper and TV) as different methods of promotion.

ARA

An example of how an answer could develop and how it should be annotated.

<table>
<tr><th>K</th><th>APP</th><th>AN</th><th>DEV</th><th>EVAL</th></tr>
<tr><td>Internet</td><td>There is a growing need for online bookings</td><td>By promoting using the internet, Seojun can drive customers to book online</td><td>Which can mead to increased revenue for QF</td><td rowspan="2">Overall newspaper advertising is most likely to target Seojun’s current target customers (EVAL) because he can advertise his telephone number and that is how most customers book (EVAL), however if he really wants to develop his online bookings then the internet may be best (EVAL)</td></tr>
<tr><td>Newspaper advertising</td><td>He can target higher income people in City X who are more likely to own houses with gardens</td><td>This would be an efficient way to target his customers</td><td>Which reduces the costs for QF</td></tr>
</table>

Note: fully reward candidates who do not make a choice between their chosen methods – it is just as acceptable to recommend more than one method.

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

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

Define the term ‘internal growth’ (line 2).

Knowledge	Marks
A correct definition	2
A partial, vague or unfocused definition	1
No creditable content	0

A correct definition should include the following elements:
- Definition of growth – expansion, getting bigger, opening more stores/factories/outlets, etc. (1)
- Definition of internal (in terms of growth) – using own funds/resources, reinvesting, etc. or in terms of NOT merging/taking over another business (do not allow **not external**)

Content
Internal growth comes from an increase in sales from re-investment in the business (1) as opposed to mergers and takeovers (1).

Exemplar	Marks	Rationale
Expansion by reinvesting profits as opposed to a merger	2	Both elements
Growth by using the businesses own funds. It is also known as organic growth	1	One element only – do not reward ‘organic growth’ as it does not define the term
Getting bigger but not external	1	One element only – do not allow ‘not external’
Growth by using internal funds	0	Tautology

</td><td>2</td></tr>
</table>

Question	Answer	Marks
2(a)(ii)	**Briefly explain the term 'capital intensive (line 9).** Award one mark for each point of explanation:	**3**

	Rationale	Marks
C	Example or some other way of showing further/good understanding, e.g. Car manufacturing, Transport (airports, railways), could be more efficient than labour intensive, could demotivate, increased costs	1
B	As opposed to labour/workers, etc.	1
A	Use of machinery, technology plant & machinery, IT systems, buildings, vehicles, offices, equipment, etc.	1

Note: C mark MUST only be awarded once A and B have been awarded.

Content
Operations carried out mainly with the investment in machinery or other items that are purchased with cash and man-made as opposed to the use of labour.

ARA

Answer	Mark	Rationale
Machinery (A) not labour (B) which allows a business to operate 24 hours a day (C)	3	All three elements – allow any point which shows further/good understanding for the C mark
A good example of capital intensive is the car industry (C) because it uses robots (A) to make cars rather than people (B)	3	All three elements – the order of the points does not matter
Capital intensive is the opposite of labour intensive (B). This means that the business has chosen to invest in technology (A) rather than people	2	A and B – no further/good understanding
Where large amounts of capital have been used as opposed to labour (B)	1	Use of the word 'capital' is a tautology – however B can still be awarded
Production where large amounts of money need to be invested in machinery (A). This would allow the business to operate 24 hours a day and be more productive	1	A only – C cannot be awarded without B
When a business uses capital intensively	0	Tautology

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)(i)</td><td>Refer to Table 2.1. Calculate the percentage market growth in the international market for candy.
<table>
<tr><th>Rationale</th><th>Marks</th></tr>
<tr><td>Correct answer with or without correct working (no % sign required)</td><td>2</td></tr>
<tr><td>Formula or correct calculation of change in market size (i.e. 1.5 bn)</td><td>1</td></tr>
<tr><td>No creditable content</td><td>0</td></tr>
</table>
Content

$\frac{\text{Change in market size}}{\text{Original market size}} \times 100$

$61.5 bn – $60 bn = 1.5 bn

$\frac{\$1.5\text{ bn}}{\$60\text{ bn}} \times 100$

= 2.5%</td><td>2</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)(i)</td><td>Common incorrect answers
<table>
<tr><th>Answer</th><th>Marks</th><th>Rationale</th></tr>
<tr><td>2.5</td><td>2</td><td>Correct answer – no % sign required</td></tr>
<tr><td>$\frac{61.5}{60} \times 100 = 102.5$</td><td>1</td><td>Worked out as a ratio</td></tr>
<tr><td>1.5 (no working)</td><td>1</td><td>Correct calculation of the change in market size – no $ sign needed</td></tr>
<tr><td>$\underline{1.5}$
$61.5 \times 100 = 2.4\%$</td><td>1</td><td>Candidate has used the wrong base figure – one error (OFR)</td></tr>
<tr><td>$\underline{60}$
$\underline{61.5 \times 100 = 97.56}$

$\underline{100 - 97.56 = 2.44\%}$</td><td>1</td><td>Figures used the wrong way round in formula – one error (OFR)</td></tr>
<tr><td>$\frac{1.5}{60} = 0.025$</td><td>1</td><td>Not turned into a percentage – one error</td></tr>
<tr><td>0.025 (no working)</td><td>0</td><td>Without working this is a meaningless number – do not reward</td></tr>
<tr><td>$\frac{\text{Year 2}}{\text{Year 1}} \times 100$

$= 102.5\%$</td><td>1</td><td>A mistake in the formula, but correct use of numbers</td></tr>
</table></td><td></td></tr>
</table>

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

Explain two ways in which CP's marketing may differ between its national market and international markets.

<table>
<tr><th>Level</th><th>Knowledge and Application</th><th>Marks</th></tr>
<tr><td>2b (APP + APP)</td><td>Explanation of two ways in which CP's marketing may differ between national and international markets</td><td>4</td></tr>
<tr><td>2a (APP)</td><td>Explanation of one way in which CP's marketing may differ between national and international markets</td><td>3</td></tr>
<tr><td>1b (K+K)</td><td>Identification of two differences between marketing for national and international markets</td><td>2</td></tr>
<tr><td>1a (K)</td><td>Identification of one difference between marketing for national and international markets</td><td>1</td></tr>
<tr><td>0</td><td>No creditable content</td><td>0</td></tr>
</table>

Content

Product
- Different products to meet different tastes/fashions in other countries
- Legal requirements for ingredients in different countries

Price
- Different elasticities – in some countries candy may be a luxury, whilst in others it might be a normal good (or even an inferior good when compared to chocolate, etc.)
- Different pricing strategies based on PLC in that country (i.e. recently launched a new candy range)

Promotion
- Language/cultural issues in different countries
- Below the line may be difficult in international markets (i.e. distance form CP)
- Above the line may be very expensive across international markets, especially for what is probably a low margin product

Place
- Possible to sell directly in national market (although unlikely) but unlikely in international markets unless through internet
- Need to use retailers in international markets – may also need to use other forms of distribution.
- Candy may be sold in different places in different countries (i.e. petrol stations, supermarkets, candy shops)

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

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

Example of how responses should be marked

<table>
<tr><th>Identification of a way (K)</th><th>Explanation of a way in context (APP)</th></tr>
<tr><td>The packaging might need to be different (K)</td><td>So that the ingredients are translated into different languages (APP)</td></tr>
<tr><td>The product may need to change (K)</td><td>So that different flavours can be used in different countries (APP)</td></tr>
</table>

Note: using the words ‘candy’ or ‘sweets’ is not enough for APP – however words such as ‘flavour’ and ‘ingredients’ and ‘taste’ do show contextual understanding and can be awarded with APP</td><td></td></tr>
</table>

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

Analyse one internal source of finance and one external source of finance which CP could use for the new machinery.

<table>
<tr><th>Level</th><th>Knowledge and Application (4 marks)</th><th>Marks</th><th>Analysis (4 marks)</th><th>Marks</th></tr>
<tr><td>2b</td><td>Shows understanding of one internal and one external source of finance</td><td>4</td><td>Good analysis of one internal and one external source of finance in context</td><td>4</td></tr>
<tr><td>2a</td><td>Shows understanding of one internal or one external source of finance in context</td><td>3</td><td>Good analysis of one internal or one external source of finance in context</td><td>3</td></tr>
<tr><td>1b</td><td>Shows knowledge of one internal and one external source of finance</td><td>2</td><td>Limited analysis of one internal and one external source of finance</td><td>2</td></tr>
<tr><td>1a</td><td>Shows knowledge of one internal or one external source of finance</td><td>1</td><td>Limited analysis of one internal or one external source of finance</td><td>1</td></tr>
<tr><td>0</td><td colspan="3">No creditable content</td><td>0</td></tr>
</table>

Note: Do not accept retained earnings or bank loan as contextual. These can gain K and AN but not APP and DEV.
Annotate the internal source of finance in the left-hand margin and the external source of finance in the right-hand margin. If the candidate has attempted to analyse more than one internal or external source of finance, then annotate the one that gains the most marks for the candidate.

Content
Internal:
- Sale of unwanted assets – old machinery that is of no use
- Sale and leaseback of non-current assets – unlikely to have many current assets that could be leased
- Working capital – CP has a good working capital position

External:
- Share capital – CP is a plc so can sell shares, but will this devalue the share price? *Note: only accept share capital as an EXTERNAL source unless it is explicitly stated that the shares are being issued to existing shareholders*
- New partners – not a partnership so not contextual
- Venture capital – more likely for a newer business – VC is likely to require a high return and/or equity in the business
- Overdrafts – surely too much for an overdraft
- Leasing – possible advantages of maintenance and no need for initial sum but likely to be more expensive long term

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

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

- Hire purchase – as above
- Mortgages – suitable for properties so unlikely to be contextual
- Debentures – securing a debenture on the machinery may make a financial institution/individual more likely to lend the money
- Micro-finance – likely to more suitable for new businesses/ventures
- Crowd funding – likely to more suitable for new businesses/ventures
- Government grants

If a candidate has mis-categorised a source of finance (internal and external) then do not award any marks for that source of finance, e.g. share capital as internal

ARA

<table>
<tr><th>Example of an internal source of finance (K)</th><th>Examples of application/context (APP)</th><th>Examples of possible analysis (AN + DEV)</th></tr>
<tr><td>Sale of assets (K)</td><td>CP has 20 separate production lines which would involve a lot of machinery to sell (APP)</td><td>By selling these machines, CP would gain the cash from the sale to be able to finance the new machinery. However, this may leave CP without any means of producing Candy, leading to a loss of revenue (DEV)</td></tr>
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<table>
<tr><th>Example of an external source of finance (K)</th><th>Examples of application/context (APP)</th><th>Examples of possible analysis (AN + DEV)</th></tr>
<tr><td>Sell shares (K)</td><td>CP is a public Limited Company (APP)</td><td>So by selling shares this can release cash to finance the purchase of the machinery (AN), however this may lead to a loss of control by the current owners (DEV)</td></tr>
<tr><td>Lease (K)</td><td>Because CP cannot use a bank loan they might need to lease the machinery (APP)</td><td>This does not require an initial large amount (AN) and allows CP to pay for the machinery each month (DEV)</td></tr>
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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(d)</td><td>

Evaluate the likely benefits for CP of the proposed process innovation.

<table>
<tr><th>Knowledge and Application (4 marks)</th><th>Marks</th><th>Analysis and Evaluation (7 marks)</th><th>Marks</th></tr>
<tr><td></td><td></td><td>Justified evaluation based on argument in context</td><td>7</td></tr>
<tr><td></td><td></td><td>Developed evaluation based on argument in context</td><td>6</td></tr>
<tr><td></td><td></td><td>An evaluative statement based on argument in context</td><td>5</td></tr>
<tr><td>Shows understanding of two aspects process innovation in context</td><td>4</td><td>Argument based on the use of two benefits to CP of the proposed process innovation</td><td>4</td></tr>
<tr><td>Shows knowledge of one aspect of process innovation in context</td><td>3</td><td>Argument based on one benefit to CP of the proposed process innovation</td><td>3</td></tr>
<tr><td>Shows knowledge of two aspects of process innovation</td><td>2</td><td>Limited analysis of two benefits of process innovation</td><td>2</td></tr>
<tr><td>Shows knowledge of one aspect of process innovation</td><td>1</td><td>Limited analysis of one benefit of process innovation</td><td>1</td></tr>
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Note: there must be knowledge of process innovation (not just innovation) to award any marks.

Content

Process innovation is the implementation of a new or significantly improved production method. This includes changes in how the product is made and/or the equipment used.

Aspects of process innovation may include:
- How the product is produced
- The equipment used to produce the products
- The technology used in production

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(d)</td><td>Benefits may include:
• Possible economies of scale from moving from 20 production lines to only one or may eliminate the current diseconomies
• Expansion of CP's product portfolio
• Mass customisation – could have more varieties of their current candy – may be able to have specific candy for organisations
• Can customise candy for national and international markets – especially important because of the growth in the international market
• Replace the 25-year-old machinery – more efficient?
• Save direct costs by making workers redundant
• Increased efficiency

ARA
An example of how an answer could develop and how it should be annotated

<table>
<tr><th>K</th><th>APP</th><th>AN</th><th>DEV</th><th>EVAL</th></tr>
<tr><td>Changing how the candy is made (K)</td><td>Introducing mass customisation (APP)</td><td>May lead to being able to produce more types of candy (AN)</td><td>Which may increase the target market and number of customers (DEV)</td><td rowspan="2">The most important benefit is that CP will be able to increase their profitability (EVAL) because as public limited company the shareholders will expect a reasonable dividend (EVAL). However, in the long term it may be more important to increase the number of customers as this is likely to lead to more profits eventually (EVAL)</td></tr>
<tr><td>Changing the machinery used (K)</td><td>Moving from 20 production lines to just 1 (APP)</td><td>May reduce the diseconomies of scale (AN)</td><td>Leading to CP being able to make more profit (DEV)</td></tr>
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