Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/33**

Paper 3 Case Study **October/November 2021**

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.

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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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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).

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.

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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.

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>
Analyse <u>one</u> opportunity and <u>one</u> threat to WSC of the appreciation of its currency ($) against other major currencies (lines 19–22).
<table>
<tr><th>Level</th><th>Knowledge
3 marks</th><th>Application
2 marks</th><th>Analysis
5 marks</th></tr>
<tr><td>2</td><td>3 marks
Good knowledge shown of opportunity/threat and impacts of them</td><td>2 marks
Two points applied</td><td>4–5 marks
Good use of theory/reasoned argument to explain the likely impact of opportunity/threat</td></tr>
<tr><td>1</td><td>1–2 marks
Knowledge shown of opportunity/threat and impacts of them</td><td>1 mark
One point applied</td><td>1–3 marks
Some use of theory/reasoned argument to explain the likely impact of opportunity/threat</td></tr>
<tr><td>0</td><td colspan="3">No creditable content</td></tr>
</table>
Level 1 AN if only opportunity OR threat. Maximum 8 marks.

Knowledge
• Explanation of terms:
– exchange rate is the price of one currency in terms of another
– currency appreciation – $ becoming stronger/more valuable against other currencies
– opportunity is an external influence that the business can exploit to its benefit
– threat is an external influence that could negatively impact the business
• Opportunities:
– lower cost of imports
• Threats:
– exporting less price competitive
• Credit understanding that currency appreciation may be linked to other economic variables, such as growth and stability.
</td><td>10</td></tr>
</table>

Question	Answer	Marks
1	**Application** • WSC imports many raw materials (spices) which will be cheaper with stronger currency. • Exported spice products will be more expensive to foreign customers. • Reference to Table 1 and Table 3: – evidence of decreasing demand in three regions in 2020 – increased profit in 2020 compared to 2019. **Analysis** **Opportunity** • Cheaper imported raw materials may lead to either lower prices or higher added value. – Lower prices could result in higher sales quantity and increasing market share. This could result in higher profit. – If prices unchanged there will be higher added value which will increase profit margins and profit. • There may be opportunities to import other items, for instance packaging and jars at lower cost and therefore increasing profit. **Threat** • Higher export prices may well lead to lower sales if there is competition. • If appreciation continues, WSC could find themselves being 'priced out' of the market in some countries. This could be linked to declining demand in US and Asia in 2020. • Long term, continued appreciation could slow down the company's growth, due to lower export sales.	

Question	Answer	Marks
2(a)(i)	**Refer to Table 3. Calculate the 2020:** **dividend yield ratio** Note: units not required for full marks Dividend yield ratio = Dividend per share / current share price × 100 (1 if no relevant calculation) 1.45 / 11.00 × 100 (1) = 13.18 % OR 13.2 % (2) Wrong year 2019 = 1.50 / 12.00 = 12.5 % (1) 0.13 (1) Answer of just 13 % with no working (1)	**2**
2(a)(ii)	**dividend cover ratio** Note: units not required for full marks Dividend cover ratio = Profit for year after tax and interest / annual dividends (1 if no relevant calculation) $5.9 million / $3.4 million (2) = 1.735 OR 1.74 OR 1.7 OR 1.73 (times) (3) Wrong year 2019 = 4.8 / 3.5 = 1.37 times (2) If using operating profit then 6.9 / 3.4 = 2.02 (2)	**3**
2(a)(iii)	**return on capital employed (ROCE).** Note: units not required for full marks ROCE = Operating profit / capital employed × 100 (1 if no relevant calculation) 6.9 / 25 × 100 (2) 0.276 (2) = 27.6 % OR 28 % (3) Wrong year 2019 = 6.3 / 24 × 100 26.25 % (2) Net profit = 6.9/25 × 100 = 23.6 % (2)	**3**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>
You may refer to your results from <u>2(a)</u> and other information. Recommend to existing shareholders of WSC whether they should take up the offer to buy more shares (lines 53–57). Justify your recommendation.
<table>
<tr><th>Level</th><th>Knowledge
2 marks</th><th>Application
2 marks</th><th>Analysis
4 marks</th><th>Evaluation
4 marks</th></tr>
<tr><td>2</td><td>2 marks
Two relevant points</td><td>2 marks
Two points applied</td><td>3–4 marks
Good use of theory and/or reasoned argument</td><td>3–4 marks
Good judgement shown</td></tr>
<tr><td>1</td><td>1 mark
One relevant point</td><td>1 mark
One point applied</td><td>1–2 marks
Some use of theory and/or reasoned argument</td><td>1–2 marks
Some judgement shown</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table>
OFR applies for results.

Answers may include:

Knowledge
• Knowledge of plc rights issue, for example:
– discounted price may be offered to existing shareholders or they may be given first refusal to purchase
– this is equity capital
• Dividend yield ratio shows rate of return to shareholders at current market share price
• Dividend cover ratio shows the number of times the ordinary share dividend can be paid out of annual profit after interest and tax
• ROCE is the primary profitability ratio and measures how well a business is generating profit from its investment
• Knowledge of other relevant factors to the decision:
– trend in share price
– dividend paid
– alternative investment opportunities
– gearing
</td><td>12</td></tr>
</table>

Question	Answer	Marks
2(b)	**Application** • Comparison of figures from Table 3. Use of results and comparison between years • ROCE 2019 = 6.3 / 24 × 100 = 26.25 % • ROCE 2020 = 6.9 / 25 ×100 = 27.6 % • Profit margins: 2019 = 29.3 %, 2020 = 29.36 % • Increase in dividend yield from 12.5 % to 13.2 % • Increase in dividend cover ratio from 1.37 times to 1.735 times • Gearing would be: 2019 = 41.67 %, 2020 = 40 % – low gearing • Reference to ready meals project for which the finance is needed • Demand for ready meals in Asia is growing rapidly • Positive focus group tasting sessions • Cole family currently own 55 % of shares • Investment appraisal suggests that the project is profitable: – ARR is 15.3 % – Net return is $1.15 m over 5 years – NPV is $0.6995 m – Payback is 3 years 1 month **Analysis** • Impact on existing share price: – a rights issue might drive down the share price if there is low demand for the shares. This would deter shareholders from wishing to purchase additional shares. • Share price has fallen in 2020 which could be a sign of less confidence and therefore deter shareholders from purchasing shares. • Dividend yield ratio has increased, better returns, so encouraging purchase of shares. • Dividend cover ratio has increased so company better able to pay returns and potentially invest in new projects. This suggests that buying shares may be relatively safe. • Operating profit margin is stable and almost 30 %. This will encourage shareholders to have confidence in purchase of shares as WSC is producing good returns. • Cole family currently have a controlling interest in WSC. A rights issue may reduce their control of the business and therefore they may be against the share issue due to dilution of control. • Gearing is low suggesting that this is a relatively low risk business. This might encourage shareholders to buy shares.	

Question	Answer	Marks
2(b)	**Evaluation** Elements that the evaluation/judgement might depend on: • The importance to the Cole family of retaining control of WSC. • Interest rates/returns available from alternative investment options. • The level of discount offered to shareholders. • Whether shareholders have a long term interest in the success of the business or whether they just want short term gain. • Payment of dividends is not guaranteed if WSC wish to retain more profit for expansion options. • Accuracy of investment appraisal data? • Other external factors such as the economic environment.	

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

Evaluate whether the introduction of lean production techniques will be sufficient to improve efficiency at WSC.

<table>
<tr><th>Level</th><th>Knowledge
2 marks</th><th>Application
2 marks</th><th>Analysis
6 marks</th><th>Evaluation
6 marks</th></tr>
<tr><td>2</td><td>2 marks
Two relevant points</td><td>2 marks
Two points applied</td><td>4–6 marks
Good use of theory and/or reasoned argument</td><td>4–6 marks
Good judgement shown</td></tr>
<tr><td>1</td><td>1 mark
One relevant point</td><td>1 mark
One point applied</td><td>1–3 marks
Some use of theory and/or reasoned argument</td><td>1–3 marks
Some judgement shown</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table>

Answers may include:

Knowledge
- Lean production – techniques that aim to eliminate or minimise waste, while maintaining high quality
- Lean production techniques including:
  - Kaizen – continuous improvement
  - JIT inventory management – reducing inventory held
  - simultaneous engineering
  - total quality management (TQM)
  - cell production
  - quality circles
- Efficiency relates to maximising the quantity of outputs from a given quantity of inputs
- Effect on quality of output

Application
- WSC has knowledge and expertise in spice processing and recipes, employees have little involvement, but some are highly skilled in production and tasting.
- Current problems include increasing labour turnover and inventory wastage. Inventory is perishable and deteriorates over time.
- Link to new ready meals project and possible Options A and B.
- Links with (long, multi-country) supply chain and availability of ingredients.
- Relevant references to ‘fair trade’ and supply chain.

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

Question	Answer	Marks
3	**Analysis** How lean production techniques may improve efficiency: • Kaizen groups may gather ideas by involving employees and improve productivity and therefore increase efficiency. • Kaizen, by involving employees which is currently an issue, may motivate employees and therefore reduce labour turnover. • TQM and benefits to making quality everyone's responsibility – getting things right first time will reduce wastage and make better use of spices and so increase quantity of output from given inputs. • Lean production will include increasing labour flexibility through multi-skilled labour and can therefore reduce labour as an input. • JIT will reduce the large amount of space needed for storage, lowering costs, and reducing wastage and therefore increasing efficiency. Problems of lean production: • Cost of training in short term in both in time and money. Transition may reduce output initially. • Lean production is more demanding of labour resources which can result in dissatisfaction and stress and therefore reduced productivity and increased labour turnover. • Variations in demand and problems with suppliers can result in stock-outs due to JIT and result in customer dissatisfaction. **Evaluation** Elements that the evaluation/judgement might depend on: • JIT stock management will need excellent supplier relationships. Implications of suppliers in many countries. • Ability of managers to engage employees in this process, e.g. in introducing TQM. • How realistic is LP, given the number of specialist suppliers and the distances involved? Judgement as to how important lean production may be – what other methods may be more important to improve efficiency? • Investing in capital equipment as a means of increasing efficiency.	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(a)(i)</td><td>Refer to Table 2. Calculate, for the ready meals project, the forecast:

payback period

Payback is 3 years and 0.05 / 0.60 × 12 = 1 month (3)

During Year 4 (2)

Attempt, e.g. calculation of cumulative cash flow (1)

<table><tr><td>Year</td><td>Net cash flow $m</td><td>Cumulative cash flow $m</td></tr><tr><td>0</td><td>(1.5)</td><td>(1.5)</td></tr><tr><td>1</td><td>0.30</td><td>(1.2)</td></tr><tr><td>2</td><td>0.55</td><td>(0.65)</td></tr><tr><td>3</td><td>0.60</td><td>(0.05)</td></tr><tr><td>4</td><td>0.60</td><td>0.55</td></tr></table></td><td>3</td></tr>
<tr><td>4(a)(ii)</td><td>net present value (NPV).

(1.5) + 0.282 + 0.4895 + 0.504 + 0.474 + 0.45 = $0.6995 m (3) allow rounding

Capital cost not included

$2.1995 (2)

Accurate calculation of at least one discounted cash flow from years 1–5 (1)</td><td>3</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>
You may refer to your results from <u>4(a)</u> and other information. Recommend whether WSC should proceed with the ready meals project. Justify your recommendation.
<table>
<tr><th>Level</th><th>Knowledge
2 marks</th><th>Application
2 marks</th><th>Analysis
4 marks</th><th>Evaluation
4 marks</th></tr>
<tr><td>2</td><td>2 marks
Two relevant points</td><td>2 marks
Two points applied</td><td>3–4 marks
Good use of theory and/or reasoned argument</td><td>3–4 marks
Good judgement shown</td></tr>
<tr><td>1</td><td>1 mark
One relevant point</td><td>1 mark
One point applied</td><td>1–2 marks
Some use of theory and/or reasoned argument</td><td>1–2 marks
Some judgement shown</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table>
OFR applies for results.

Answers may include:

Knowledge
• Investment appraisal is the quantitative evaluation of investment options to determine their viability and feasibility.
• Payback period refers to the amount of time it takes to recover the cost of an investment.
• Net present value is the present value of the future net cash flows, calculated by using a chosen discount rate.

Application
• Payback period 3 years 1 month (OFR)
• NPV $0.6995 m (OFR)
• ARR = ($2.65 – $1.5) / 5 = 0.23 / 1.5 × 100 = 15.33 %
• Rising demand for spicy ready meals in Asian markets
• Positive reaction to ready meals in focus group tasting sessions
• $1.5 m cost of factory extension and new production equipment
• $750 000 marketing budget
• Distribution through supermarkets
</td><td>12</td></tr>
</table>

Question	Answer	Marks
4(b)	**Analysis** • Payback period is relatively short, meaning there is lower risk in the project not covering costs and making a profit. • NPV is positive, which means the project is feasible and should go ahead. • Ready meals is product development, which is a medium risk strategy. There is a move away from its core product/business area. • WSC is likely to face competition in the ready meals market, which could increase risk, but as demand is growing there might be enough demand to make the ready meals successful. • Profit levels indicate that the costs of the project are affordable, which supports the decision to carry out the ready meals project. **Evaluation** • Evaluation should contain a decision of whether or not to proceed with the ready meals project. • Depends on whether WSC can agree with supermarkets to distribute and sell the ready meals through them. • Depends on whether WSC can afford (or raise) the $1.5 m initial cost. • Depends on the accuracy of the investment appraisal data. • Depends on whether WSC can successfully create a coordinated marketing strategy. • Depends on any other option WSC could choose instead, e.g. other food products.	

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

Evaluate a suitable coordinated marketing strategy for the ready meals project.

<table>
<tr><th>Level</th><th>Knowledge
2 marks</th><th>Application
2 marks</th><th>Analysis
6 marks</th><th>Evaluation
6 marks</th></tr>
<tr><td>2</td><td>2 marks
Two relevant points</td><td>2 marks
Two points applied</td><td>4–6 marks
Good use of theory and/or reasoned argument</td><td>4–6 marks
Good judgement shown</td></tr>
<tr><td>1</td><td>1 mark
One relevant point</td><td>1 mark
One point applied</td><td>1–3 marks
Some use of theory and/or reasoned argument</td><td>1–3 marks
Some judgement shown</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table>

Knowledge
- A coordinated marketing strategy is one that effectively integrates marketing objectives, a budget, and the marketing mix.
- New product development is the process of designing, creating, and marketing of new goods and services.

Application
- WSC’s USP is their knowledge and expertise in spice processing and includes secret recipes, which are intellectual property (intangible assets). The new ready meals project could have a similar USP.
- WSC’s current marketing strategy includes B2B and B2C and the use of social media and recipes on the website.
- Demand is growing rapidly.
- Current marketing strategy includes fair trade and publicity of fair prices being paid to spice growers.
- Positive feedback from focus groups.
- Marketing budget of $750 000.
- Distribution through supermarkets.

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

Question	Answer	Marks
5	**Analysis** • Feedback from focus groups can enable WSC to identify any issues with current products and to make changes to aspects of the marketing mix, e.g. ingredients, packaging, and projected price to better satisfy customer needs. • Social media has successfully been used to contact business customers, which may also work with the new strategy, but the ready meals project may require a new approach, such as face-to-face sales representatives to encourage business customers to taste and experience the ready meals. • Demand for ready meals is growing rapidly and WSC has used Fairtrade previously, therefore a premium pricing strategy could be used to differentiate WSC's ready meals and increase revenue. • The marketing budget of $750 000 may enable WSC to promote its ready meals by using other above-the-line methods in addition to their social media strategy, such as food magazines and local radio, to increase awareness of its ready meals and be more competitive. **Evaluation** • Justification used to support a suitable marketing strategy. • The need for a full coordinated marketing strategy for it to be effective. • The extent to which a suitable marketing strategy for the ready meals is the same/different to that already used by WSC in its current marketing strategy. • The extent to which WSC can maintain its current USP in its ready meals. • Judgement as to how important coordinated marketing strategy may be to the success of the ready meals project. • Depends on whether the $750 000 budget is sufficient to implement a suitable marketing strategy. • Depends on the actions of competitors. • Depends on the influence of the external environment. • Depends on WSC's ability to successfully raise the finance needed to support the project. • Depends on the marketing objectives set by WSC as to what decisions are made about marketing mix, e.g. penetration pricing to gain a foothold in the market.	

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Question	Answer	Marks
6	**Evaluate whether the information in Appendix 1 is sufficient for the directors of WSC to make the strategic choice between Option A and Option B.** Note: The focus of this response should be on the sufficiency of the information and the strategic choice techniques rather than only recommending which option to choose. **Knowledge** • Strategic choice is part of strategic management and involves the process of identifying and deciding between different options. • Strategic choice follows strategic analysis and is followed by strategic implementation. • Strategic choice decisions are usually long term and difficult to easily reverse. • Strategic choice techniques include: the Ansoff Matrix, Force Field Analysis and Decision trees. **Application** • Option A – could be classified as product development or diversification according to Ansoff Matrix. • Option B – could be classified as product development or diversification according to Ansoff Matrix. • Comparison of data in Appendix 1: – Initial cost is lower for Option A than Option B by $1.5m. – Estimated time of completion is earlier for Option A than Option B by 9 months. – Force Field Analysis: driving forces and restraining forces for Option A and Option B are different. – Porter's Five Forces: difference in supplier power but both options have high threat of substitutes. – Estimated chance of success for Option A is higher than Option B by 10 %. – Estimated monetary value over five years is higher for Option A than Option B by $1m.	**20**

Question	Answer	Marks
6	**Analysis** • Decision tree considers risk of decisions being successful and therefore takes into account uncertainty. This quantitative method therefore can be used to make better informed decisions in terms of profitability, which is an important factor in success, e.g. Option A is favoured in terms of higher chance of success and higher monetary return over the five year period. • Force Field analysis considers both restraining forces and driving forces, so can be used to encourage managers to make decisions on how to reduce restraining forces. By giving numerical weightings to each force, managers can better determine the likelihood of different options being successful, e.g. higher competitive environment in the fast food market indicates it could be difficult for WSC to successfully enter the market. • Porter's Five Forces is useful as a strategic analysis technique to understand the competitive rivalry in the market. The high threat of substitutes in the market indicates the threat to WSC's profitability if it enters the market. Directors could use the difference in supplier power to help distinguish which option, i.e. Option A is favoured as it has less competitive rivalry based on the two forces referred to. The other forces are relevant to the decision. • Information that is missing from the table could also be helpful for the directors to making the decision, e.g.: – Investment appraisal techniques would give additional information on which to justify the decision made. – SWOT and PEST could be helpful to understand the influence on the external environment in making the decision.	
6	**Evaluation** • Appendix A includes a variety of information that might be useful in helping the directors to choose between Option A and Option B. • The market is dynamic, and the information needs to be kept up to date to make it more useful. • Other information that could be useful includes market research. • The data will be more useful if the directors can be sure of its accuracy. • The data is useful to help the directors discuss the options and decide, but it depends on the ability of the directors to critically discuss the options. • Judgement about the sufficiency of the information in Appendix 1. • The data is insufficient in terms of the information available as there is little reference to strategic analysis techniques such as SWOT and PEST as only Porter's Five Forces is referred to. • The data is given in an abridged format and lacks detail which is needed in order for the directors to be able to make a more informed decision. It depends on whether the more detailed information is available for the directors to access. • It depends on who collected the information and the sources used to evaluate its reliability and subjectivity. • It depends when the data was collected as it could be outdated.	

Question	Answer	Marks
7	**Evaluate the importance to WSC of effective corporate planning if Option A is chosen.** **Knowledge** • A methodical plan containing details of the organisation's objectives and the strategies to be followed to achieve them. • Corporate planning is a type of strategic planning and is included in the business plan. • Corporate planning involves setting objectives and deciding strategies to achieve the objectives. • Corporate planning is part of strategic implementation. • Aims in a corporate plan can be used to set functional objectives and strategies. **Application** • The corporate plan needs to be updated and made specific for Option A, given it is a different venture as WSC is entering the fast food street food café market. • WSC's core competency is spice production, not cafés. Although they are related, the plan would need to be updated. • Highly competitive fast food market. • The need for $3.5m finance for the project. • Completion time is 9 months. **Analysis** • Effective corporate planning would allow WSC to devise appropriate strategies to enter the highly competitive fast food market, e.g. choosing appropriate pricing strategies and promotional activity. • Corporate planning is important for Option A to support applications for finance to raise the $3.5m. WSC can consider relevant factors such as gearing, liquidity and the impact on shareholders of different sources of finance. • The corporate plan is important to ensure that the completion time is kept to 9 months by setting clear targets for managers and employees and to limit the risk of extra costs being incurred because of delays if effective planning was not undertaken.	**20**

Question	Answer	Marks
7	• Time targets can be motivating for staff and are more likely to be achieved, which could save time and money for WSC. • The corporate plans will help to focus on the need to overcome the limited knowledge and experience in running fast food restaurants. Therefore, directors could ensure that they find out about how to effectively run these restaurants, e.g. recruiting and retaining experienced employees and managing operations. • Planning helps to control expenditure and therefore reduces risk of cashflow problems. • Strategic decisions affect all parts of the organisation, so planning is important to coordinate activities. • Planning is time-consuming and can be expensive; the more detail the greater the time and cost. **Evaluation** • Judgement on the importance of corporate planning if Option A is implemented. • It is essential to set objectives and to monitor these closely. • Recognition that other factors, such as leadership and management, will influence success. • Depends on whether the corporate plan is kept up to date and is monitored closely by managers. • Depends on how dynamic the market is and the actions of competitors. • Depends on how differences in culture are managed in the takeover and how resistance to change is managed. • Contingency planning is necessary to deal with the unexpected but can be expensive. • Reliability of information – how much is spent on market research/data gathering and how relevant is it? Interpretation of information used in planning can be influenced by skills and training of leadership. • Monitoring and review are essential to ensure costs are not increasing in this rapidly changing market.	

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