Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/32**

Paper 3 Case Study **October/November 2022**

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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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.

PREPARATION FOR MARKING

1 Make sure that you have completed the relevant training and have access to the *RM Assessor Guide*.
2 Make sure that you have read and understand the question paper, which you can download from https://support.rm.com/ca
3 Log in to RM Assessor then mark and submit the required number of practice and standardisation scripts. You will need to mark the standardisation scripts to the required accuracy in order to be approved for marking live scripts. You may be asked to re-mark them, or to mark a second sample, if you do not meet the required accuracy on your first attempt.

MARKING PROCESS

1 Mark strictly to the FINAL mark scheme, applying the criteria consistently and the general marking principles outlined on the previous page.
2 If you are in doubt about applying the mark scheme, consult your Team Leader.
3 Mark at a steady rate through the marking period. Do not rush, and do not leave too much until the end. If you anticipate a problem in meeting the deadline, contact your Team Leader immediately and the Examiners' Helpdesk.
4 Examiners will prepare a brief report on the performance of candidates to send to their Team Leader via email by the end of the marking period. The Examiner should note strengths seen in answers and common errors or weaknesses. Constructive comments on the question paper, mark scheme or procedures are also appreciated.

MARKING SPECIFICS

Crossed out work

1 All of a candidate's answers, *crossed out* or not, *optional* or not, must be marked.
2 The only response not to be marked is one that has been crossed out and replaced by another response for that exact same question.
3 Consequently, if a candidate has crossed out their response to an optional question and gone on to answer a different optional question then both attempts must be marked. The higher mark will be awarded by the system according to the rubric.

0 (zero) marks or NR (no response)

1 Award **NR** if there is nothing at all written in answer to that question (often the case for optional questions).
2 Award **NR** if there is a comment which is not an attempt at the question (e.g. 'can't do it' or 'don't know' etc.)
3 Award **NR** if there is a symbol which is not an attempt at the question, such as a dash or question mark.
4 Award **0** (zero) if there is any attempt at the question which does not score marks. This includes copying the question onto an Answer Booklet.

Annotation

1 Every question must have at least one annotation e.g. <NAQ> if it is an NR and <X> or <seen> if 0 marks are awarded.
2 Every page of a script must have at least one annotation e.g. <BP> for a blank page.

Paper 3 Specific Marking Guidance

- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Handwriting and use of English language are not to be assessed.
- A response consisting of a list should be assessed. It is unlikely that such a response will score highly in the levels in each Assessment Objective.

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- If a response does not fit in the space provided it should be assessed as if it did whether it is shorted, or longer and a continuation sheet is used.
- 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 must match the number of times that annotation is on the response.
- Only award EVAL if the candidate has also demonstrated APP.
- Application marks are not awarded for repeating material from the case study. Application is achieved by answering in the context of the case or by using the information in the case to help answer the question.
- 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'.

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.

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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 APF of vertical integration.
<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
Knowledge of two benefits and vertical integration</td><td>2 marks
Two points applied to APF</td><td>4–5 marks
Good use of theory to explain benefit(s)</td></tr>
<tr><td>1</td><td>1–2 marks
Knowledge of one or two benefits or knowledge of vertical integration and/or one benefit</td><td>1 mark
One point applied to APF</td><td>1–3 marks
Some use of theory to explain benefit(s)</td></tr>
<tr><td>0</td><td colspan="3">No creditable content</td></tr>
</table>
Note:
• Do not credit reproduction of phrases/data in the case study without use and/or comment.
• Benefits should be linked to vertical integration not horizontal integration
• L2 AN can be accessed even if the impact of only one change is analysed.

Knowledge
• Integration with firms in the same industry between a customer and/or a supplier of the business. Firms joining together at different stages of production. Firms joining together which are in different sectors of the economy; primary, secondary, tertiary.

Benefits include:
• Provides a secure outlet for APF’s own product.
• Can control the promotion and price of its own product.
• Control over quality, price and delivery of supplies.
• Absorb profit margins of a customer business and/or a supplying business.
• Competitive advantage.
• Synergy.
• Economies of scale.
• Adds value to output.
• Avoid supply disruption.
</td><td>10</td></tr>
</table>

Question	Answer	Marks
1	**Application** • APF farms fruit (primary producer) but also processes the fruit e.g. producing fresh chilled juice. • Keeps profit that would otherwise go to processing business. • Adds value to output of fruit through processing. • Helps meet goal of increasing shareholder value. • Gives control of sale of blueberries and avocados through the chain of retailers. • Fruit farming is low added value relative to other stages of supply chain. • Economies of scale reducing average costs by eliminating overhead by consolidating management and streamlining processes. Large scale operations may provide purchasing economies of scale. • Lower pricing strategies can be used. A company that's vertically integrated can transfer the cost savings they create to the consumer. **Analysis** • Higher value added will increase profit for APF which increases shareholder value. Fruit farming may have low value with most of the value added at the processing stage as with the chilled fresh juices. Cost of fruit is $0.35 but selling price of juice is more than double that. • Can control pricing of fruit in retail chain owned, therefore, determine the margins earned and be more responsive to customer demands increasing sales and profit. • Can be effective selling point within marketing as APF can claim to have greater control over quality of the end product which benefits the consumer and can increase sales. • APF can control the branding of its products from the primary to the retail stage more effectively. • Increases sales, reduces costs and increases efficiency leading to greater profit therefore improving shareholder value.	

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

Refer to Table 2 and lines 52–57. Calculate the forecast total contribution from the proposed order for fresh juice.

<table>
<tr><th>Rationale</th><th>Content</th><th>Marks</th></tr>
<tr><td>Correct answer (units not required).
Working not required.</td><td>$1.8m</td><td>5</td></tr>
<tr><td>Statement of correct calculation</td><td>19.5(m) – 17.7(m)</td><td>4</td></tr>
<tr><td>TR & TVC</td><td>19.5(m) &
17.7(m)</td><td>3</td></tr>
<tr><td>Total variable cost OR

Unit variable cost AND Revenue</td><td>17.7(m)

0.59 & 19.5(m)</td><td>2</td></tr>
<tr><td>Unit variable cost OR
Total variable cost of fruit OR
Total variable cost of labour OR
Total variable cost of packaging OR
Revenue OR
Correct formula</td><td>0.59
$12(m)
$2.7(m)
$3(m)
19.5(m)</td><td>1</td></tr>
<tr><td>No creditable content</td><td></td><td>0</td></tr>
</table>

Relevant formulae:
Total contribution = Contribution per unit X total sold (1 if no relevant calculations)
OR
Contribution per unit = selling price – variable cost (1 if no relevant calculations)
OR
Total revenue – total variable costs = total contribution (1 if no relevant calculation)

Calculations:
Revenue = 0.65 X 30m = ($)19.5m (1)

Unit variable costs = 0.40 + 0.09 + 0.10 = ($)0.59 (1)
Total variable cost = 0.59 X 30m = ($)17.7m (2)

Total contribution = 19.5m – 17.7m (4)
= $1.8m (5)

Common answers
- Missed transport costs $4.8m (4)
- Missed labour cost $4.5m (4)
- Missed fruit cost $13.8m (4)

OFR

</td><td>**5**</td></tr>
</table>

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

You may refer to your answer to 2(a) and other information. Recommend whether APF should accept the proposed order for fresh juice. 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 or more relevant points made</td><td>2 marks
Two points applied to APF</td><td>3–4 marks
Good use of theory to answer question</td><td>3–4 marks
Good judgement shown</td></tr>
<tr><td>1</td><td>1 mark
One relevant point made</td><td>1 mark
One point applied to APF</td><td>1–2 marks
Some use of theory to answer question</td><td>1–2 marks
Some judgment shown</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table>

Note: OFR from response to 2(a) applies.

Knowledge

- Meaning of ‘special order’ in general, i.e. ‘one off’ factors in making the decision:
  - Available capacity / capacity utilisation
  - Unit and total contribution to fixed costs
  - Impact on profit
  - Possibility of future orders
  - Impact on production of other products
  - Relevance of timescale for order

Application

- Reference to and use of results.
  - Contribution is $1.8m
  - Additional revenue of $19.5mCurrent spare capacity 24m litres
  - Capacity utilisation 80%
  - Capacity utilisation with special order will be 105%, so over full capacity (126/120 x 100)
- Sales of juice have not met growth target.
- Labour turnover problems.
- Delivery required in first three months of 2023.
- Order will not be APF branded.
- Annual fixed costs of $12m.
- Availability of fruit to meet the order from APF farms or other suppliers.
- Fresh juice has a short shelf-life.
- 30m litres is full capacity for first quarter.

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

Question	Answer	Marks
2(b)	**Analysis** Analysis of reasons why order should/should not be accepted. • Special order will add to profit but could more have been added if juice was sold at usual selling price of $0.85. • Impact on existing customers. As order will take APF over capacity then may be unable to meet existing customer needs resulting in dissatisfied customers and therefore loss of future sales. • Special order may lead to future orders which will increase sales and profit. • Limited time available for delivery of the juice increases the chance that it could cause disruption to other customer orders. • Output is increasing each year. If this trend continues then APF will soon reach capacity. This will be more valuable than accepting the special order. • The order would take up capacity for 3 months stopping fulfilment of other orders. • Order will increase market share in US which is their leading market so will consolidate their position and reputation. **Evaluation** • Recommendation with supporting argument. • Elements that the evaluation/judgement might depend on: – Contribution is positive so worth considering. – Total contribution will only add $1.8m to profit if other forecast orders can also be met. – Can APF start production now to fulfil the order? Depends on shelf-life of the product, which is likely to be short (fresh juice). – To fulfil the order APF may have to increase capacity resulting in more fixed costs. – To what extent might special order lead to more sales in future? – Fruit is a seasonal product so will APF be able to meet the order? • Short/long term impact on APF • Evaluation of other factors that might influence the decision. **ARA**	

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

Evaluate the importance to APF's operational effectiveness of workforce planning.

<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 or more relevant points</td><td>2 marks
Two points applied to APF</td><td>4–6 marks
Good use of theory to answer question</td><td>4–6 marks
Good judgment shown</td></tr>
<tr><td>1</td><td>1 mark
One relevant point made</td><td>1 mark
One point applied to APF</td><td>1–3 marks
Some use of theory to answer question</td><td>1–3 marks
Some judgment shown</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table>

Note:
- Importance must be to APF.
- If comment made on impact on employees, it must be linked to what it may mean for the business.

Knowledge
- Definition and importance of workforce planning, e.g. looking at future business needs to identify workforce skills and needs. Provides a plan for recruitment needs.
- Helps determine types of employee contracts required based on workforce needs.
- Link between employee performance and workforce planning
- Link between workforce planning and employee training.
- Planning where and how employees are to be used.
- Core and peripheral workers
- Operational effectiveness relates to efficiency within production, capacity utilisation and being able to meet customer demands.

Application
- Problem with labour turnover at juice factory.
- Need for seasonal employees for picking fruit.
- Perishable nature of product.
- Need for employees to meet special order from retailer.
- Harvesting fruit is labour intensive. Much of the work is seasonal.
- Shortage of skilled technicians has disrupted production.
- Planning of peripheral workers such as seasonal fruit pickers and core workers such as skilled technicians.

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

Question	Answer	Marks
3	**Analysis** • Identification of workforce needs in terms of numbers and skills will help APF operations be efficient and ensure that there is no shortage of workers with the right skills which would otherwise disrupt production and lead to delays. Any delays to production could affect sales. • Insufficient farm workers during harvesting season will result in unpicked fruit which goes to waste. Thus, costs involved in growing the fruit will not be recovered. • Either strategic option will require more workers so workforce planning will help implementation of strategies and aid meeting the objectives set. • Possible workforce planning approaches can be developed e.g. the mix of flexible versus permanent contracts required and how this might impact costs on fruit farms. **Evaluation** Only award EVAL if the candidate has also demonstrated APP. • Judgement of the usefulness of workforce planning to operational effectiveness. • Essential to organise workforce better to improve future performance in terms of operations. • Workforce planning can only be effective if linked in closely with the firm's long-term objectives. • Without a workforce plan APF may fail to meet customer demands. • Evaluation of other factors that influence future operational effectiveness. – External factors may mean that workforce planning fails e.g. weather and disease impacting crop yields. Therefore, workforce planning needs to be flexible. – Internal factors such as organisational structure, leadership and motivation.	

Question	Answer	Marks
4(a)	**Refer to Table 3. Calculate the accounting rate of return (ARR) for the investment in enterprise resource planning (ERP).** ARR = Annual profit / capital cost X 100 **OR** ARR = Annual profit / Average investment cost X 100 (1 mark if no relevant calculation) Annual profit = Profit / number of years Profit = $9.5m (1) Annual profit = $1.9m (2) ARR = 19% **OR** 19 (3) If used average investment (assuming residual value of investment is $0): ARR = 1.9 / 5 X 100 = 38% (3) $19m or $38m (2) If capital cost is not subtracted then 39% (2) Working should be evident. **OFR**	**3**
4(b)(i)	**Refer to Table 4. Calculate, for 2022, the:** **inventory turnover** Inventory turnover ratio = Cost of sales / value of inventories (1) 140.2 / 25.8 (2) = 5.43 times (3) Allow 67.2 days or 68 days (allow 67 days) (3) Candidates may use the average inventory, so the inventory for 2021 added to 2022 and then divide by 2 so the answer would be: 140.2 / 22.05 = 6.36 times (3) OR (22.05 / 140.2) X 365 = 57.4 days 58 days (allow 57 days) (3) $6.36m or $58m (2) If used 2021 data then max 2 marks 2021= 6.22 OR 58.7days (2) **OFR**	**3**

Question	Answer	Marks
4(b)(ii)	**days' sales in receivables.** Days' sales in receivables ratio = trade receivable / revenue X 365 (1) OR Trade receivables / credit sales X 365 (1) 40.8 / 255.6 X 365 (2) 58.26 days OR 58.3 OR 59 days (allow 58 days) (3) $58.26m (2) 1.9 months (2) If used 2021 data then max 2 marks 2021 = 45.2 days (2) **OFR**	**3**

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

You may refer to your answer to 4(a), 4(b) and other information. Evaluate the benefits to APF of investing in enterprise resource planning (ERP).

<table>
<tr><th>Level</th><th>Knowledge
2 marks</th><th>Application
2 marks</th><th>Analysis
3–4 marks</th><th>Evaluation
3–4 marks</th></tr>
<tr><td>2</td><td>2 marks
Two or more relevant points</td><td>2 marks
Two points applied to APF</td><td>3–4 marks
Good use of theory to answer question</td><td>3–4 marks
Good judgment shown</td></tr>
<tr><td>1</td><td>1 mark
One relevant point made</td><td>1 mark
One point applied to APF</td><td>1–2 marks
Some use of theory to answer question</td><td>1–2 marks
Some judgment shown</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table>

Note: K2 APP 2 if no knowledge of ERP and only refers to investment appraisal and/or financial efficiency

Knowledge

- ERP is using dedicated software to integrate orders, materials, labour and distribution to minimise cost, reduce inventory levels and waste.
- ERP enables customer orders to match raw material supplies to enable JIT.
- Enables APF's orders to be delivered quickly.
- Reduces cost of ordering and holding inventory.
- All departments can access same information so no communication issues.
- Reduces waste due to deterioration in overlong storage.
- Increases competitive advantage.
- Cost of staff training.
- Time and disruption during integration of ERP system.
- Understanding of ARR / inventory turnover / days' sales in receivables

Application:

- May facilitate meeting increasing demand for juice orders.
- Link to sustainability and shareholder value.
- Complex supply chain management.
- Use of ARR figure of 19%
- Payback 2 years 8.7 months.
- Change in ratios since 2021:
  - Inventory turnover reduced from 6.36 times to 5.43 times or from 59 to 68 days
  - Days' sales in receivables increased from 45.2 days to 58.26 days.

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

Question	Answer	Marks
4(c)	**Analysis** • JIT production will reduce inventory holding costs and increase profit. • May enable increase to maximum capacity as less inventory will be held. This will facilitate meeting increasing demand for juice orders. • ERP enables customer orders to match raw material supplies to enable JIT. This will reduce APF costs of storage and reduction in value of fruit due to ageing. • Enables APF's orders to be delivered quickly, providing better customer service and meeting customer expectations of fast delivery. This will help retain customers. • All departments can access same information so no communication issues. • Reduces waste due to deterioration in overlong storage thus improving efficiency. Link to sustainability and reputation of APF. • Enables rapid response to change and customised pricing. • Can be adapted to enable/facilitate expansion or new products. • Increases competitive advantage helping APF to increase market share. **Evaluation** Only award EVAL if the candidate has also demonstrated APP. • Elements that the evaluation/judgement might depend on: – Cost savings are estimates made by APF. Can these figures be trusted? Have training costs of introducing ERP been factored into the net cost savings. – If ERP is used to reduce inventory holding costs, then success depends in part on the reliability of suppliers of fertilisers etc to deliver on time. – ERP will help with the vertical integration of the business by connecting more effectively the different stages of production. – Data is the lifeblood of every modern company, ERP makes it easier to collect, organize, analyse, and distribute this information to every individual and system that needs it to best fulfil their role and responsibility. – How long will it take to implement - given the complexity of the supply chain? – Danger of obsolescence as newer systems developed. • Evaluation of other factors to consider e.g. – NPV as this considers time, value of money. – Depends on ability to recruit suitable employees to manage the system. – Depends on availability of finance.	

Question	Answer	Marks
5	**Evaluate the importance, to APF's future success, of marketing planning.**	**16**

Level	Knowledge 2 marks	Application 2 marks	Analysis 6 marks	Evaluation 6 marks
2	2 marks Two or more relevant points	2 marks Two points applied to APF	4–6 marks Good use of theory to answer question	4–6 marks Good judgment shown
1	1 mark One relevant point made	1 mark One point applied to APF	1–3 marks Some use of theory to answer question	1–3 marks Some judgment shown
0	No creditable content			

Knowledge
- Definition of marketing planning: market research, marketing objectives, budget, marketing mix
- Understanding of meaning of success in terms of profit, sales, market share, customer satisfaction and meeting objectives set

Application
- Link between marketing planning and APF's success in taking advantage of changing consumer trends towards healthier foods.
- Failure of APF to meet sales targets for chilled fresh juice.
- Role of planning in entering new markets such as country D or selling almond based products:
  - Designing marketing mix to deal with competitive nature of almond market in the US.
  - Reference to income elasticity of demand for avocados.
  - Need for marketing to address cultural differences in country D for success.
  - Reference to Vasco's concerns about competition in the US almond milk market.

Analysis
- Benefits of tailoring marketing according to differences in target markets to ensure that new products gain market sales. For example, if entering the almond milk market in the US – planning will ensure that competition is considered when setting price and determining promotion to be used. This will help increase the chances of a successful launch.

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Question	Answer	Marks
5	• If entering country D which has lower consumption per capita, APF will benefit from market research to understand the cultural differences that might affect the approach to promotion in the market. Also identify the level of competition to determine successful pricing strategy for entering the market. • Need to cover costs to make a profit. Planning pricing so as to ensure that costs are covered whilst taking into effect the impact of price on demand. • More effective targeting of marketing budget when planned therefore achieving greater sales from each dollar spent. **Evaluation** Only award EVAL if the candidate has also demonstrated APP. • Judgement of the importance of marketing planning to future success: – Marketing planning gives a clear direction to the business making success more likely. – Particularly important for new markets such as country D or almond market. • Elements that the evaluation/judgement might depend on: – Planning depends on effective market research to identify needs of customers and determine how best to appeal to them. • Judgement of other factors that are also important to success such as operations.	

Question	Answer	Marks

Questions 6 and 7 use this marking grid:

Level	Knowledge 3 marks	Application 3 marks	Analysis 4 marks	Evaluation 10 marks
3				7–10 marks Good judgment shown throughout with well supported conclusion/ recommendation, focused on APF
2	3 marks Good under-standing shown	3 marks Good application to APF	3–4 marks Good use of reasoned argument or use of theory to explain points made to explain points made	4–6 marks Some judgment shown in the main body of the answer **and** an attempt to support conclusion/recommendation, focused on APF ***OR*** effective and well supported conclusion/recommendation, focused on APF
1	1–2 marks Some under-standing shown	1–2 marks Some application to APF	1–2 marks Limited use of reasoned argument or use of theory to support points made	1–3 marks Limited attempt to show judgment either within the answer ***OR*** a weakly supported conclusion/recommendation with some focus on APF
0	No creditable content			

Question	Answer	Marks
6	**Evaluate the strategic choice techniques used in Appendix 1 when APF's directors make the choice between option 1 and option 2.**	**20**

	Option 1 Almond production in the US	Option 2 Entry into country D in Asia
Capital cost	$100m	$150m
Net present value (NPV)	$85m	$120m
Major driving forces	• Understanding of US market • Long-term increase in price of almonds	• Focus on core competency of APF • Long-term profit potential
Major restraining forces	• Pressure group concerns about sustainability of almond production • Competition	• Cost of setting up distribution and marketing • Country D government policies make foreign investment difficult
Probability of success	70%	55%
Expected monetary value over 5 years	$150m	$250m

Note:
- Focus should be on strategic choice techniques NOT strategic analysis techniques
- If there is no reference to, or knowledge of, SC techniques then limit to K 2 APP 2 AN 0 EVAL 0 for other factors related to the choice between options 1 and 2.
- Award L2 Eval if there is some judgment shown in the main body of the answer and an attempt to support conclusion/recommendation, focused on APF.

Knowledge
- Strategic choice is part of strategic management and involves the process of identifying and deciding between different options.
- Strategic choice techniques such as Ansoff Matrix, Decision trees, Force Field Analysis and investment appraisal.
- Strategic choice techniques help evaluate the risks and rewards from different strategic options.
- Understanding of different choice techniques:
  - Investment appraisal: payback and ARR. How quickly investment is recovered and the average profitability of the investment.
  - Decision trees - inclusion of probability to calculate the monetary outcomes from investments and make choice based on quantitative data
  - Force field analysis – considers driving and restraining factors in a decision
  - Ansoff's matrix – considers risk of growth strategies with reference to product and market
- Quantitative and qualitative factors.
- Reference to strategic analysis techniques when preparing for choice such as SWOT, PEST, Boston matrix, Porter's Five Forces, Core competencies and others.

6	**Application** Note: Simply quoting information from Appendix 1 is insufficient for APP marks, the information must be used. Use of the techniques/factors for two options – Appendix 1 examples. • Ansoff's matrix – Option 2 – market development as existing product being sold in new market. • Option 1 – how to categorise? Diversification as it is a new market and new product. • Option 1 has higher probability of success. Less risk. • Option 2 has higher EMV by $100m over 5 years – link to shareholder returns. • Option 2 capital cost is $50m greater – link to gearing. • Option 2 has higher NPV but Option 1 has higher relative NPV as a proportion of capital cost (85% compared to 80%). • Comment on driving and restraining forces in the force field analysis. For example, FFA questions sustainability of almond production, this could be linked to APF's marketing claims. • Role of situational analysis within strategic management as highlighted by the 2022 Annual Report **Analysis** • How techniques may be used and the advantages and/or disadvantages. • Force field analysis encourages managers to consider different aspects of a decision. By identifying restraining forces action can be taken to mitigate the negative effects of those forces. • Awareness of relevant forces increases the chances of making a good decision and ensuring that implementation is effective. • Market development is less risky than diversification in Ansoff's Matrix. This favours option 2 • Better decision making by considering the quantitative aspects of the choices. – Use of probabilities in decision tree therefore reducing risk for APF of option choice. – NPV enables APF to choose option with highest return which may be important to shareholders. • The use of techniques to analyse aspects of the options. Other techniques that might help improve decision making: – Core competencies – if APF focuses on core competencies, then this may increase chances of success due to the strength the business has in certain areas. – PEST analysis of markets such as country D important to identify potential issues that the firm might need to overcome. **Evaluation:** Only award EVAL if the candidate has also demonstrated APP. • Judgement/evaluation about usefulness of strategic choice techniques supported by e.g. – Is Ansoff useful in this case as risk more influenced by factors such as potential regulation and market growth. – Subjective nature of Force Field Analysis – Limitations of using only quantitative or qualitative techniques.	

Question	Answer	Marks
6	• Elements that the evaluation/judgement might depend on such as: – Accuracy of estimates for quantitative techniques – Other information • Evaluation of other factors that influence choice such as: – Attitude of directors – Attitude to risk – Influence of strategic analysis – Corporate objectives of WTZ – Impact of different strategies on stakeholders – Long-term v short-term impacts – Other information that might be useful – Capital available. • Justification of most useful technique(s) with supporting argument.	

Question	Answer	Marks
7	**APF operates in a dynamic business environment. Evaluate the importance to APF's future profitability of contingency planning.** *Note:* • *If there is no knowledge of contingency planning then limit to K 2 APP 2 AN 0 EVAL 0 for other points relating to profitability* • *Award L2 Eval if there is some judgment shown in the main body of the answer and an attempt to support conclusion/recommendation, focused on APF.* **Knowledge** • Profitability relates to the ability of the business to generate profit from revenue and capital employed. Measured by operating profit margins and ROCE. • Contingency planning: preparing an organisation's resources for unlikely events. This may also be referred to as crisis management, scenario planning and business continuity planning. • Allow reference to business having a 'Plan B'. Benefits: • Reassures customers and staff that their interests are being considered. • Reduces potential impact on customers in the event of a major disaster. • Recognising major risks may actually reduce the risk of the disaster happening. Limitations: • Disasters still occur. • Can't have contingency plans for all eventualities. **Application** • Recognising major risks, such as: – disease of crops e.g. destruction of 30% of avocado crop in 2014. – impacts of weather on production of fruit e.g. rains and flooding in 2017. – trade disputes as APF is an exporter e.g. 2018. – failure of equipment – could impact juice production etc. – fire in factories producing juice. – food safety. **Analysis** • Can be expensive and time consuming especially for small businesses. There is the planning process and also the need to train staff for each possible eventuality. • With fore planning the public relations response to a disaster is much more likely to be quick and appropriate so that senior managers can manage the media attention and communicate effectively what the company intends to do, by when and how from disasters both in terms of costs and bad PR and loss of customer loyalty. • Avoiding disasters is better than planning what to do if they happen. • Plans need to be updated frequently as the business develops increasing costs.	**20**

Question	Answer	Marks
7	**Evaluation** Only award EVAL if the candidate has also demonstrated APP. • Judgement of extent to which CP is important to success. • Recognition that other factors will have significant impact on success of APF, for example, leadership, financing and culture of the business • Cost of CP needs to be balanced against the potential costs of not doing it. Which potential disasters should be planned for? • How much time is spent on preparing and testing contingency plans?	

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