CAMBRIDGE
International Education

Cambridge IGCSE™

BUSINESS STUDIES **0450/22**

Paper 2 Case Study **October/November 2025**

MARK SCHEME

Maximum Mark: 80

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the October/November 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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Generic Marking Principles

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

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

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

GENERIC MARKING PRINCIPLE 2:

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

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

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

GENERIC MARKING PRINCIPLE 4:

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

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.

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Annotations guidance for centres

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

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

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

Annotations

Annotation	Meaning
	Correct point.
	Incorrect point.
BOD	Used when the benefit of the doubt is given in order to reward a response.
TV	Used when parts of the answer are considered to be too vague to be given credit.
REP	Indicates where content has been repeated.
NAQ	Used when the answer or parts of the answer do not answer the question asked.
APP	Indicates appropriate reference to the information in the stem.
OFR	If a mistake is made in a calculation, and the incorrect figure that results from the mistake is used for subsequent calculations.
SEEN	Indicates that the page or content has been seen by examiner, but no credit given.
L1	Level 1 – Used in part (b) questions to indicate where a response includes limited knowledge and/or understanding.
L2	Level 2 – Used in part (b) questions to indicate where a response has a more detailed discussion and contains some evidence of justification.
L3	Level 3 – Used in part (b) questions to indicate where a response includes a well-justified recommendation.

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Question	Answer	Marks
1(a)	**Explain <u>four</u> ways a business plan could help Kathryn.** Award 1 mark for each relevant way (max 4). Award 1 additional mark for **each** explanation of the way **applied to this context.** Relevant ways might include: • To help gain a bank loan/overdraft – to open the new shop • To help give the business a sense of purpose and direction – selling wedding flowers • To calculate the costs of setting up the business – in this niche market • To predict cash flow problems – when deciding the source of finance for working capital • To help identify if there is sufficient demand for the product • To help set prices – for the high-quality products • To help identify the skills / type of employees needed – to prepare the flowers • To help choose the promotional methods to use • To help allocate resources For example: To help with an application for a bank loan (1) in order to open the new flower shop (app). **Application** could include: new shop/third shop; 2 shops; flowers; source of finance required for working capital; weddings; bride/groom; ribbons; reputation for high quality; contribute to sustainable development; targets a niche market; 4/8 employees at each shop; bride; average price paid is $2000; supplies purchased each day; supplies are fresh; uses job production; small business; marketing mix for the new shop.	**8**

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

Consider the following <u>two</u> methods Kathryn could use to communicate with her suppliers. Which method should Kathryn use if an order is needed quickly? Justify your answer.

- **Telephone calls**
- **Emails**

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of both methods.

Well-justified recommendation.

Candidates discussing both methods, in context and with a well-justified recommendation, including why the alternative method was rejected, should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one method.

Judgement with some justification / some evaluation of choice made.

Candidates discussing at least one method in detail and applying it to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the methods with little/no explanation.

Simple judgement with limited justification / limited evaluation of choice made.

Candidates outlining both methods in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>

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

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>Relevant points might include:
<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Telephone calls</td><td>• Speaks directly to each supplier of ribbons – gets immediate feedback – so knows the message has been received
• Can verify if the message for the order of fresh flowers is understood – answer questions about the orders – to ensure the correct flowers are delivered – possibly meeting customer orders more quickly
• Know the message has been received – with having a good relationship with the supplier which means they will answer and take the order</td><td>• Suppliers may not answer – delay in order being taken – delivery of flowers may be delayed – which slows production and may be late being delivered to a wedding
• Poor connection over the network used – may distort the message and make it difficult to understand – resulting in wrong order being made – which may lead to under or over ordered flowers
• Could take a long time to call suppliers – may not answer straight away and may need to call several times taking time that could be used for something else
• No permanent record of the conversation – if an incorrect order is made there is no proof the supplier made a mistake</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>1(b)</td><td>
<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Emails</td><td>• Provides a written record for FF to refer to – if the suppliers do not meet the order correctly and the wrong flowers are delivered
• Can be referred to at different times to check on the amount of perishable supplies ordered to ensure the correct order is delivered on the correct date
• Kathryn does not have to be in the office to send the order – can be sent out of usual office hours – may be more convenient especially as FF is a small business</td><td>• Some suppliers may not have access to a reliable internet connection – so FF may not know the order for ribbons has not been received
• The order may not be seen if there are too many emails to read and get lost or missed
• May go into junk – so supplier of packaging is unaware there is an order</td></tr>
<tr><td>Recommendation</td><td colspan="2">Justification might include:
• A telephone call should be made if the order for ribbons is needed quickly to ensure the message is received. Feedback can clarify that the correct order has been made. An email may get lost amongst many emails and the urgency may not be realised, therefore making the order late being processed and delivery of the flower arrangements for the wedding being delayed.
• An email should be used as it is sent straight away, and the supplier of fresh flowers can reply letting FF know that the order has been received and if it can be dispatched straight away.</td></tr>
</table>
</td><td></td></tr>
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Question	Answer	Marks
2(a)	**Explain <u>two</u> benefits and <u>two</u> limitations of a business operating in a niche market.** Award 1 mark for each benefit/limitation (max 2 benefits/2 max limitations). Award a maximum of 1 additional mark for **each** explanation of the benefit/limitation. There are no application marks for this question. Relevant benefits might include: • Fewer businesses may be competitors in this part of the market – less need to spend on marketing the product • The needs of the consumer can be more closely focused on – therefore their needs will be met giving high consumer satisfaction • Increased sales and revenue as product meets customer needs • Higher price can be charged – as product may be seen as high-status or exclusive • Increased customer loyalty Relevant limitations might include: • Niche markets are usually relatively small – therefore sales are likely to be smaller than in a mass market • Limits potential growth in the market – profits may be limited in the future • May mean the business specialises in one product – increased risk if the product has a fall in demand • Small size of the market means that economies of scale are unlikely – resulting in higher unit costs • High profits may attract competitors into the market – prices may have to be reduced For example: The business can focus more closely on customer needs (1) therefore their needs will be met giving high consumer satisfaction (1).	**8**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>
Using Appendix 2 and other information, consider the following <u>three</u> elements of the possible marketing mix for FF's new shop. Which element is likely to be the most important? Justify your answer.

Price – cost-plus pricing
Place – selling some flowers through wedding planners
Promotion – television advertising

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of two or more elements.

Well-justified conclusion.

Candidates discussing all three elements, in context and with a well-justified conclusion, including why the alternative elements were rejected, should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one element.

Judgement with some justification / some evaluation of choice made.

Candidates discussing two or more elements in detail and applying these to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the elements with little/no explanation.

Simple judgement with limited justification / limited evaluation of choice made.

Candidates outlining the three elements in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>
</td><td>12</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>Relevant points might include:
<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Price – cost-plus pricing</td><td>• Method is relatively easy to apply
• Different mark-ups can be applied for different brides depending on the type of flowers used in the arrangement
• Each product sold can earn a higher profit for the business – as it can closely meet the requirements of the individual customer in this niche market – and charge a higher price for the flower arrangement</td><td>• Need to calculate total costs to be able to calculate the price to charge for wedding flowers – may take time to collect the figures and may not be accurate if difficult to calculate the proportion of fixed costs per product
• Price may be higher than price of competitors' – reducing sales and revenue
• Profit overall is only made if sufficient sales are made to cover fixed costs as well as the variable costs
• There is no incentive to reduce costs – as any increase in costs will be passed on to the customer</td></tr>
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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>
<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Place – selling some flowers through wedding planners</td><td>• May have a larger market as now also sell to businesses that plan weddings for customers – may have higher revenue from sales of wedding flowers
• All storage costs paid by the wedding planner – may reduce costs for FF – flowers are perishable and may need specialist equipment to keep the high quality of the flowers
• Promotional activities are carried out and paid for by the wedding planner</td><td>• Part of the profit kept by the wedding planner – as discounts will be required by the wedding planner – lower return for Kathryn on her investment in her small business
• Slower way to get the flower arrangements to the customer – wedding flowers may lose quality as not as fresh when stored for longer periods of time
• Does not have complete control over the way the business is marketed – cannot display flower arrangements in the way chosen by Kathryn
• May be higher price as includes the wedding planner’s profit – may be less competitive</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)</td><td>
<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Promotion – television advertising</td><td>• The advert will be seen by a large audience – potentially increases the target market – increasing sales and revenue
• The wedding flowers and arrangements can be shown in a very favourable way – with happy brides holding their flowers – moving images can convey the mood of high-quality products and enjoyable celebrations – increasing sales
• May encourage customers to visit the shop when they might not otherwise be aware of the shop
• Can target adverts to be shown during TV shows that the target market may be watching – such as bridal/wedding programmes</td><td>• Can be very expensive – increasing costs for FF
• FF may not be able to afford many adverts – so reducing their effectiveness as not on television very often
• Young consumers who are getting married may not watch television very often as more likely to use social media – reducing effectiveness of advertising and reducing potential sales</td></tr>
<tr><td>Conclusion</td><td colspan="2">Justification might include:
• Cost-plus pricing will be the most important element of the marketing mix as it will allow different mark-ups for different flower arrangements for high income customers who are getting married leading to higher revenue and possibly more profit. Selling to wedding planners may reduce the high-quality of the flowers as it may take longer to get to the customer, reducing customer satisfaction and television advertising may be limited given the large budget needed to have a television campaign.
• Selling to wedding planners will allow Kathryn to increase the number of customers for her flowers to use in arrangements and flower arrangements for weddings – this may give word-of-mouth advertising – leading to higher sales from the shop.
• Advertising on television may mean that customers from across the city are likely to see the adverts and visit the shop – leading to higher sales of wedding flowers.</td></tr>
</table>
</td><td></td></tr>
</table>

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Question	Answer	Marks
3(a)	**Explain <u>two</u> reasons why FF uses job production.** Award 1 mark for reason why FF uses job production (max 2). Award a maximum of 3 additional marks for **each** explanation of why FF uses job production – **one of which must be applied to this context**. Reasons might include: • Is suitable for individual/unique products – makes them more competitive – leading to higher revenue/sales • Meets the exact needs of customers – so increases customer satisfaction – increases reputation and word of mouth advertising • The employees have more varied jobs – as may carry out all the tasks to produce the product – increasing employee motivation • A higher price can be charged – as the product is a 'one-off' for the customer – willing to pay a higher price for a product that is exactly what they want • Production can be of a higher quality – because each product is individually made For example: The flower shop will produce wedding flower arrangements (app) that are specially designed for customers (1) and more closely meets the exact needs of these customers (1) so is more likely to increase customer recommendations (1). **Application** could include: new shop/third shop; 2 shops; flowers; source of finance required for working capital; weddings; bride/groom; ribbons; reputation for high quality; contribute to sustainable development; targets a niche market; 4/8 employees at each shop; bride; average price paid is $2000; supplies purchased each day; supplies are fresh; small business; marketing mix for the new shop; social media reviews.	**8**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>

Consider the following <u>two</u> sources of finance which could be used for working capital when FF's new shop opens. Which would be the best source for Kathryn to use? Justify your answer.

- **Bank overdraft**
- **Trade credit**

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of both sources of finance.

Well-justified recommendation.

Candidates discussing in detail both sources of finance, in context and with a well-justified recommendation, including why the alternative source is rejected, should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of one or more sources of finance.

Judgement with some justification / some evaluation of choice made.

Candidates discussing both sources of finance in detail and applying them to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the sources of finance with little/no explanation.

Simple judgement with limited justification / limited evaluation of choice made.

Candidates outlining both sources of finance in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>

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

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>Relevant points might include:
<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Bank overdraft</td><td>• Can be quick to arrange – so finance available straight away
• May be arranged for varying lengths of time for repayment – longer time to pay it back from the sale of wedding flowers – helping to avoid a cash flow problem</td><td>• Amount overdrawn will have to be repaid with interest – increases expenses – may lead to higher prices for flower arrangements charged or reduced profits
• May need to provide collateral – may lose assets if overdraft cannot be repaid
• May have to pay a high interest rate due to it being a small business and may be seen as high risk – raises costs further
• Interest rate may be variable so if interest rates increase later FF will be affected – increased risks for FF</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>3(b)</td><td>
<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Trade credit</td><td>• Is effectively an interest-free loan – unless penalties for late payment are made
• May be able to receive revenue from sales of flowers before paying supplier as has a good relationship with her supplier – improves cash flow</td><td>• Supplier may refuse to supply if payment is not made as agreed – may damage the relationship with supplier – unable to meet orders spoiling FF’s good reputation
• Supplier may refuse to offer discounts for the flowers at all if payment is not made as agreed – may increase costs – which could lead to higher prices as FF may use cost-plus pricing</td></tr>
<tr><td>Recommendation</td><td colspan="2">Justification might include:
• A bank overdraft is the best source of finance to use as a sufficient amount of capital may be arranged which will pay for all the operating costs for the new flower shop. Some suppliers may not be willing to provide FF with trade credit leaving them short of working capital.
• Trade credit is the best source of finance to use as FF can use it to purchase the flowers and then sell them to receive the revenue before payment is due. This is an interest free source of finance for the day-to-day running of the third shop.</td></tr>
</table>
</td><td></td></tr>
</table>

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Question	Answer	Marks
4(a)	**Explain <u>two</u> reasons why high quality is important for FF** Award 1 mark for each reason (max 2). Award a maximum of 3 additional marks for **each** explanation of the reason why high quality is important – **one of which must be applied to this context.** Reasons might include: • To establish a brand image – so that customers are encouraged to buy the product – new customers are attracted • To maintain a good reputation / to not gain a bad reputation – friends and family tell others about the goods/service which may lead to a good/bad reputation – increasing/decreasing sales • To increase sales / attract more customers – due to customer needs being satisfied by the products supplied • So that faulty products do not have to be replaced – which would reduce waste / ensures customer safety / avoids legal action • Able to charge a high price – may lead to higher profit margin / as may increase added value For example: To maintain a good reputation (1) because if quality is not good then friends and family will tell others about the product which may lead to a bad reputation (1) and sales will be lower (1) for the new flower shop (app). **Application** could include: new shop/third shop; 2 shops; flowers; source of finance required for working capital; weddings; bride/groom; ribbons; contribute to sustainable development; targets a niche market; 4/8 employees at each shop; bride; average price paid is $2000; supplies purchased each day; supplies are fresh; uses job production; small business; marketing mix for the new shop; social media reviews.	**8**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>
Using Appendix 3 and other information, consider the following <u>two</u> ways FF could contribute to sustainable development. Which way should Kathryn choose? Justify your answer.

• Buying all flowers from sustainable sources
• Using electricity from renewable sources
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of both ways.

Well-justified recommendation.

Candidates discussing two ways in detail, in context and with a well-justified recommendation, including why the alternative way was rejected, should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one way.

Judgement with some justification / some evaluation of choices made.

Candidates discussing one way in detail and applying it to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the ways with little/no explanation.

Simple judgement with limited justification / limited evaluation of choices made.

Candidates outlining the two ways in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>
</td><td>12</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>Relevant points might include:
<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Buying all flowers from sustainable sources</td><td>• Attract customers who are concerned about the environment if it is included in the advertising – increasing sales
• In the future sustainable sources will still be supplying flowers – more secure source of supply
• Sustainable sources are nearby in Main City which is good for the environment – as transport costs are lower and less polluting</td><td>• The average price on wedding flowers is $2000 and customers may not be willing to pay more for sustainably produced flowers – so prices remain the same and profit margins may need to be lower
• Costs increase by 25% for flowers for each average wedding flowers – if prices are raised then may make FF less competitive – losing sales</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>4(b)</td><td>
<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Using electricity from renewable sources</td><td>• Savings of electricity after solar panels bought – $100 per week saving on electricity for each shop
• $5200 per year savings for each shop / $15 600 per year for all 3 shops
• These cost savings will continue into the future – after the installation costs are repaid
• May be able to reduce prices as costs of power are reduced – become more competitive</td><td>• High cost to install the solar panels – costs $6000 for each shop
• $18 000 if all 3 shops have solar panels
• May need to take out a loan – interest costs will increase – will increase cash outflow
• Relies on amount of sunlight each day – may be lower at different times of the year / difficult to store the electricity
• Maintenance cost for the solar panels</td></tr>
<tr><td>Recommendation</td><td colspan="2">Justification may include:
• Kathryn should buy all FF’s flowers from sustainable sources as FF may attract many more customers who are concerned about the environment, and they may be willing to pay a higher price if 25% increased cost of the flowers is passed on to customers. Purchasing solar panels may require taking out a bank loan and this will increase expenses which FF may not be able to afford given FF is opening a new shop and already has to find ways to finance its working capital.
• Kathryn should use renewable energy to provide electricity for FF’s shops. This is an investment that will continue to save $300 each week for the 3 shops in the future and may help to make FF more competitive</td></tr>
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