
BUSINESS

9609/22

Paper 2 Data Response

October/November 2017

MARK SCHEME

Maximum Mark: 60

Published

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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 2017 series for most Cambridge IGCSE[®], Cambridge International A and AS Level components and some Cambridge O Level components.

| Question | Answer | Marks | | | | | | | | | | | | | | | | | | | | | | | |
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| 1 | Occasion Cards (OC) | | | | | | | | | | | | | | | | | | | | | | | | |
| 1(a)(i) | <p data-bbox="276 315 858 344">Define the term ‘Computer Aided Design’.</p> <table border="1" data-bbox="300 378 1334 580"> <thead> <tr> <th data-bbox="300 378 1048 427">Knowledge and Application</th> <th data-bbox="1048 378 1334 427">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="300 427 1048 477">A correct definition</td> <td data-bbox="1048 427 1334 477">2</td> </tr> <tr> <td data-bbox="300 477 1048 526">A partially correct definition</td> <td data-bbox="1048 477 1334 526">1</td> </tr> <tr> <td data-bbox="300 526 1048 580">No creditable content</td> <td data-bbox="1048 526 1334 580">0</td> </tr> </tbody> </table> <p data-bbox="276 616 975 645">A correct definition should cover both of the following:</p> <ul data-bbox="331 685 1294 920" style="list-style-type: none"> • Some idea of ‘computer aided’, i.e. – A process done by IT/software/computer-programmes/electronically/virtually/technology (allow automated) – do not allow ‘computer’ <i>on its own</i> as this is a tautology • i.e. some idea of the ‘design’ element, i.e. – To create, analyse, draw, modify, optimise, 2D/3D models, customise, plan etc. – do not allow ‘design’ <i>on its own</i> as this is a tautology. <table border="1" data-bbox="300 954 1334 1370"> <thead> <tr> <th data-bbox="300 954 820 1003">Exemplar</th> <th data-bbox="820 954 935 1003">Marks</th> <th data-bbox="935 954 1334 1003">Rationale</th> </tr> </thead> <tbody> <tr> <td data-bbox="300 1003 820 1088">To use IT to create models</td> <td data-bbox="820 1003 935 1088">2</td> <td data-bbox="935 1003 1334 1088">Both elements simply defined</td> </tr> <tr> <td data-bbox="300 1088 820 1173">Where software is used to create designs</td> <td data-bbox="820 1088 935 1173">2</td> <td data-bbox="935 1088 1334 1173">Both elements and ‘create designs’ is good enough</td> </tr> <tr> <td data-bbox="300 1173 820 1290">To design 2D drawings</td> <td data-bbox="820 1173 935 1290">1</td> <td data-bbox="935 1173 1334 1290">2D gives an idea of ‘design’ even though the word design has also been used.</td> </tr> <tr> <td data-bbox="300 1290 820 1370">Where computers are used to make designs for the business to use</td> <td data-bbox="820 1290 935 1370">0</td> <td data-bbox="935 1290 1334 1370">Neither elements defined</td> </tr> </tbody> </table> | Knowledge and Application | Marks | A correct definition | 2 | A partially correct definition | 1 | No creditable content | 0 | Exemplar | Marks | Rationale | To use IT to create models | 2 | Both elements simply defined | Where software is used to create designs | 2 | Both elements and ‘create designs’ is good enough | To design 2D drawings | 1 | 2D gives an idea of ‘design’ even though the word design has also been used. | Where computers are used to make designs for the business to use | 0 | Neither elements defined | 2 |
| Knowledge and Application | Marks | | | | | | | | | | | | | | | | | | | | | | | | |
| A correct definition | 2 | | | | | | | | | | | | | | | | | | | | | | | | |
| A partially correct definition | 1 | | | | | | | | | | | | | | | | | | | | | | | | |
| No creditable content | 0 | | | | | | | | | | | | | | | | | | | | | | | | |
| Exemplar | Marks | Rationale | | | | | | | | | | | | | | | | | | | | | | | |
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| 1(a)(ii) | <p>Briefly explain the term ‘mass customisation’.</p> <p>Award one mark for each point of explanation:</p> <table border="1" data-bbox="301 383 1335 667"> <tr> <td data-bbox="301 383 363 465">C</td> <td data-bbox="363 383 1200 465">Example or some other way of showing good understanding, i.e. can involve the use of IT, low cost solution to making etc.</td> <td data-bbox="1200 383 1335 465">1 mark</td> </tr> <tr> <td data-bbox="301 465 363 548">B</td> <td data-bbox="363 465 1200 548">Understanding of ‘mass’, i.e. understanding of the use of production lines/flow production/assembly line etc.</td> <td data-bbox="1200 465 1335 548">1 mark</td> </tr> <tr> <td data-bbox="301 548 363 667">A</td> <td data-bbox="363 548 1200 667">Understanding of customisation, i.e. the use of techniques to create differentiated products, unique products, to customer orders etc.</td> <td data-bbox="1200 548 1335 667">1 mark</td> </tr> </table> <ul data-bbox="331 703 1286 842" style="list-style-type: none"> • Using production lines to make a variation in products. Using mass production techniques to produce differentiated products. • Can add value to a product by adding differences and customisation. • Make products unique to each customer but with low cost. <p>Note: the C mark is dependent on gaining both A and B marks first because otherwise a wrong understanding of mass customisation (e.g. mass production) could gain the majority of the marks.</p> <table border="1" data-bbox="301 1010 1335 1850"> <thead> <tr> <th data-bbox="301 1010 820 1059">Exemplar</th> <th data-bbox="820 1010 935 1059">Marks</th> <th data-bbox="935 1010 1335 1059">Rationale</th> </tr> </thead> <tbody> <tr> <td data-bbox="301 1059 820 1178">Using a production line (B) to make differentiated products (A) often using machinery (C)</td> <td data-bbox="820 1059 935 1178">3</td> <td data-bbox="935 1059 1335 1178">All three elements</td> </tr> <tr> <td data-bbox="301 1178 820 1397">Where a business makes products which have are based on the individual customer requirements (A) but have been made on a production line (B). This keeps the cost low for the business (C).</td> <td data-bbox="820 1178 935 1397">3</td> <td data-bbox="935 1178 1335 1397">All three elements</td> </tr> <tr> <td data-bbox="301 1397 820 1516">Where lots of different types of products (A) are made using flow production (B).</td> <td data-bbox="820 1397 935 1516">2</td> <td data-bbox="935 1397 1335 1516">A and B mark</td> </tr> <tr> <td data-bbox="301 1516 820 1666">Making customised products for the customers which can be low cost.</td> <td data-bbox="820 1516 935 1666">1</td> <td data-bbox="935 1516 1335 1666">A mark only – do not allow the C mark unless both A and B have been awarded (See Note:)</td> </tr> <tr> <td data-bbox="301 1666 820 1850">Making lots of products on a production line which keeps the costs of the business low and means that the business can produce lots of products to sell.</td> <td data-bbox="820 1666 935 1850">1</td> <td data-bbox="935 1666 1335 1850">B mark only – obvious confusion with mass production (See Note:)</td> </tr> </tbody> </table> | C | Example or some other way of showing good understanding, i.e. can involve the use of IT, low cost solution to making etc. | 1 mark | B | Understanding of ‘mass’, i.e. understanding of the use of production lines/flow production/assembly line etc. | 1 mark | A | Understanding of customisation, i.e. the use of techniques to create differentiated products, unique products, to customer orders etc. | 1 mark | Exemplar | Marks | Rationale | Using a production line (B) to make differentiated products (A) often using machinery (C) | 3 | All three elements | Where a business makes products which have are based on the individual customer requirements (A) but have been made on a production line (B). This keeps the cost low for the business (C). | 3 | All three elements | Where lots of different types of products (A) are made using flow production (B). | 2 | A and B mark | Making customised products for the customers which can be low cost. | 1 | A mark only – do not allow the C mark unless both A and B have been awarded (See Note:) | Making lots of products on a production line which keeps the costs of the business low and means that the business can produce lots of products to sell. | 1 | B mark only – obvious confusion with mass production (See Note:) | 3 |
| C | Example or some other way of showing good understanding, i.e. can involve the use of IT, low cost solution to making etc. | 1 mark | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| B | Understanding of ‘mass’, i.e. understanding of the use of production lines/flow production/assembly line etc. | 1 mark | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| Question | Answer | Marks | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 1(b)(i) | <p>Refer to Table 1. Calculate the current ratio for 2016.</p> <table border="1" data-bbox="300 315 1334 667"> <thead> <tr> <th>Mark</th> <th>Rationale</th> </tr> </thead> <tbody> <tr> <td>3 marks</td> <td>Correct calculation of the current ratio (ignore any use of \$, % etc.) with or without correct working</td> </tr> <tr> <td>2 marks</td> <td>Correct formula (can be implied by the use of figures) and correct identification of both figures (CA and CL)</td> </tr> <tr> <td>1 mark</td> <td>Correct formula or correct identification of both figures (CA and CL)</td> </tr> <tr> <td>0 marks</td> <td>No creditable content</td> </tr> </tbody> </table> <p>Formula:</p> <p><u>Current assets</u> Current liabilities</p> <p>Identification of correct figures:</p> <p>Current assets = \$3m Current liabilities = \$4m</p> <p>$\frac{\\$3m}{\\$4m} = \underline{\underline{0.75:1 \text{ or } 0.75 \text{ or } 3/4}}$</p> <p>Common answers</p> <table border="1" data-bbox="300 1205 1334 1921"> <thead> <tr> <th>Answer</th> <th>Marks</th> <th>Rationale</th> </tr> </thead> <tbody> <tr> <td><u>\$3m</u> $\frac{\\$3m}{\\$4m} \times 100 = 75\%$</td> <td>3</td> <td>Although the candidate has not got the correct answer it can clearly be seen by the working that they would have got the correct answer but have gone one stage too far.</td> </tr> <tr> <td>75% (no working)</td> <td>0</td> <td>Without working there is no way to know where this figure came from</td> </tr> <tr> <td><u>\$4m</u> $\frac{\\$3m}{\\$4m} = 1.33$</td> <td>2</td> <td>Formula is wrong (inverted) but correct identification of figures and then a correct calculation based on their own figures (OFR)</td> </tr> <tr> <td><u>1.33 (no working)</u></td> <td>0</td> <td>Without working there is no way to know where this figure came from</td> </tr> <tr> <td>Current liabilities = 4 Current assets = 3</td> <td>1</td> <td>Correct identification of both figures</td> </tr> <tr> <td><u>Current assets</u> Current liabilities</td> <td>1</td> <td>1 mark for formula</td> </tr> </tbody> </table> | Mark | Rationale | 3 marks | Correct calculation of the current ratio (ignore any use of \$, % etc.) with or without correct working | 2 marks | Correct formula (can be implied by the use of figures) and correct identification of both figures (CA and CL) | 1 mark | Correct formula or correct identification of both figures (CA and CL) | 0 marks | No creditable content | Answer | Marks | Rationale | <u>\$3m</u> $\frac{\$3m}{\$4m} \times 100 = 75\%$ | 3 | Although the candidate has not got the correct answer it can clearly be seen by the working that they would have got the correct answer but have gone one stage too far. | 75% (no working) | 0 | Without working there is no way to know where this figure came from | <u>\$4m</u> $\frac{\$3m}{\$4m} = 1.33$ | 2 | Formula is wrong (inverted) but correct identification of figures and then a correct calculation based on their own figures (OFR) | <u>1.33 (no working)</u> | 0 | Without working there is no way to know where this figure came from | Current liabilities = 4 Current assets = 3 | 1 | Correct identification of both figures | <u>Current assets</u> Current liabilities | 1 | 1 mark for formula | 3 |
| Mark | Rationale | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 marks | Correct calculation of the current ratio (ignore any use of \$, % etc.) with or without correct working | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 1 mark | Correct formula or correct identification of both figures (CA and CL) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 0 marks | No creditable content | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 75% (no working) | 0 | Without working there is no way to know where this figure came from | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| <u>Current assets</u> Current liabilities | 1 | 1 mark for formula | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| 1(b)(ii) | <p data-bbox="276 248 1286 315">Explain <u>one</u> way in which the information in Table 1 might be useful to a potential investor.</p> <table border="1" data-bbox="300 349 1337 701"> <thead> <tr> <th data-bbox="300 349 499 398">Level</th> <th data-bbox="499 349 1145 398">Knowledge and Application</th> <th data-bbox="1145 349 1337 398">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="300 398 499 483">2b APP + APP</td> <td data-bbox="499 398 1145 483">Explanation of the use of the accounting information in Table 1 to a potential investor</td> <td data-bbox="1145 398 1337 483">3</td> </tr> <tr> <td data-bbox="300 483 499 568">2a APP</td> <td data-bbox="499 483 1145 568">Identification of the use of the accounting information in Table 1 to a potential investor</td> <td data-bbox="1145 483 1337 568">2</td> </tr> <tr> <td data-bbox="300 568 499 654">1 K</td> <td data-bbox="499 568 1145 654">Identification of the use of accounting information – no context</td> <td data-bbox="1145 568 1337 654">1</td> </tr> <tr> <td data-bbox="300 654 499 701">0</td> <td data-bbox="499 654 1145 701">No creditable content</td> <td data-bbox="1145 654 1337 701">0</td> </tr> </tbody> </table> <p data-bbox="276 734 1198 768">Note: APP can be awarded (for 2 marks) without an explicit K first</p> <p data-bbox="276 801 576 835">Answers could include:</p> <ul data-bbox="331 842 1270 972" style="list-style-type: none"> • Sales and profit margin have gone up – good investment • Liquidity has gone down – increased risk • Non-current liabilities have doubled – increased debt might suggest increased risk <table border="1" data-bbox="300 1010 1337 1783"> <thead> <tr> <th data-bbox="300 1010 647 1126">Examples of identifications of a use (K)</th> <th data-bbox="647 1010 991 1126">Examples of context (APP)</th> <th data-bbox="991 1010 1337 1126">Possible explanations (APPAPP)</th> </tr> </thead> <tbody> <tr> <td data-bbox="300 1126 647 1339">To decide whether to invest or not To judge the success of the business</td> <td data-bbox="647 1126 991 1339">Sales and profit margin have gone up</td> <td data-bbox="991 1126 1337 1339">More sales/profit may suggest that an investor will get their investment back quicker and make a profit from their investment</td> </tr> <tr> <td data-bbox="300 1339 647 1552">To see if the business is likely to be able to repay an investment To see if the business is profitable</td> <td data-bbox="647 1339 991 1552">Liquidity has gone down</td> <td data-bbox="991 1339 1337 1552">OC may not be able to pay back debts which may mean that the company would not be able to repay the investment</td> </tr> <tr> <td data-bbox="300 1552 647 1783"></td> <td data-bbox="647 1552 991 1783">Non-current liabilities have doubled The current ratio has decreased</td> <td data-bbox="991 1552 1337 1783">Increased debt may mean that any investment is going towards paying that debt off, not making more profit</td> </tr> </tbody> </table> | Level | Knowledge and Application | Marks | 2b APP + APP | Explanation of the use of the accounting information in Table 1 to a potential investor | 3 | 2a APP | Identification of the use of the accounting information in Table 1 to a potential investor | 2 | 1 K | Identification of the use of accounting information – no context | 1 | 0 | No creditable content | 0 | Examples of identifications of a use (K) | Examples of context (APP) | Possible explanations (APPAPP) | To decide whether to invest or not To judge the success of the business | Sales and profit margin have gone up | More sales/profit may suggest that an investor will get their investment back quicker and make a profit from their investment | To see if the business is likely to be able to repay an investment To see if the business is profitable | Liquidity has gone down | OC may not be able to pay back debts which may mean that the company would not be able to repay the investment | | Non-current liabilities have doubled The current ratio has decreased | Increased debt may mean that any investment is going towards paying that debt off, not making more profit | 3 |
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| 0 | No creditable content | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| Question | Answer | | | | Marks |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|--------------|---------------------------------------------------------------------------------------------------------------------------|--------------|----------|
| 1(c) | Analyse <u>one</u> advantage and <u>one</u> disadvantage to OC of using the internet to promote the business. | | | | 8 |
| Level | Knowledge and Application (4 marks) | Marks | Analysis (4 marks) | Marks | |
| 2 | Shows understanding of using the internet to promote the business in context | 3–4 | Good analysis of one advantage AND one disadvantage to OC of using the internet to promote the business in context | 4 | |
| | | | Good analysis of one advantage OR one disadvantage to OC of using the internet to promote the business in context | 3 | |
| 1 | Shows knowledge of the use of the internet to promote a business | 2 | Limited analysis of one advantage AND one disadvantage of using the internet to promote a business | 2 | |
| | Shows knowledge of the use of the internet in business OR promotion | 1 | Limited analysis of one advantage OR one disadvantage of using the internet to promote a business | 1 | |
| <p><i>Limited analysis in context: Marks limited to 4 + 2 = 6</i></p> <p><i>Annotate – advantages on the left and disadvantages on the right</i></p> <p>Take a very open approach to ‘promotion’ to allow for use of the website (e.g. CAD system, creation of cards etc.).</p> <p>Promotion is any activity that supports or encourages a business activity.</p> | | | | | |

| Question | Answer | | | | Marks | | | | | | | | | | | | | | | | | | | | |
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| 1(c) | <p>Answers could include:</p> <p>Advantages</p> <ul style="list-style-type: none"> Cheaper – social and viral marketing is a relatively cheap way of promotion a business and has led to good growth for OC OC has an internet based ordering system, so internet based promotion links in and may increase sales Customers may link/click from an advert straight to the website allowing quick/impulse purchases <p>Disadvantages</p> <ul style="list-style-type: none"> OC may find it difficult to control social and viral promotion It may not be effective – very difficult to predict trends in fashion/products <p>Fast moving and constantly changing</p> <p>Examples of advantages:</p> <table border="1" data-bbox="293 792 1342 1767"> <thead> <tr> <th data-bbox="293 792 553 1010">Examples of knowledge (K)</th> <th data-bbox="553 792 825 1010">Examples of application/context (APP)</th> <th data-bbox="825 792 1082 1010">Examples of limited analysis (AN)</th> <th data-bbox="1082 792 1342 1010">Examples of good analysis (ANAN) <i>Must be in context (i.e. APP awarded)</i></th> </tr> </thead> <tbody> <tr> <td data-bbox="293 1010 553 1227">The internet can reach many people</td> <td data-bbox="553 1010 825 1227">Greater number of potential customers who may buy cards from OC for special occasions</td> <td data-bbox="825 1010 1082 1227">This may lead to increased sales</td> <td data-bbox="1082 1010 1342 1227">Increased sales → more revenue → more profit</td> </tr> <tr> <td data-bbox="293 1227 553 1382">Cheaper to promote</td> <td data-bbox="553 1227 825 1382">OC is a family business with limited capital</td> <td data-bbox="825 1227 1082 1382">Keeps costs down for OC</td> <td data-bbox="1082 1227 1342 1382">Lower costs → may increase capital for expansion</td> </tr> <tr> <td data-bbox="293 1382 553 1581">Can use internet links to send customers to their website</td> <td data-bbox="553 1382 825 1581">Using OC's well established social media presence Can link directly to the CAD software</td> <td data-bbox="825 1382 1082 1581">Increases the number of potential customers</td> <td data-bbox="1082 1382 1342 1581">Increased sales → more revenue → more profit</td> </tr> <tr> <td data-bbox="293 1581 553 1767">Attracts a younger audience</td> <td data-bbox="553 1581 825 1767">Greetings cards can be targeted at a younger audience</td> <td data-bbox="825 1581 1082 1767">Leading to less competition for OC</td> <td data-bbox="1082 1581 1342 1767">Less competition → higher prices → more profit margin → increased profit</td> </tr> </tbody> </table> | | | | Examples of knowledge (K) | Examples of application/context (APP) | Examples of limited analysis (AN) | Examples of good analysis (ANAN) <i>Must be in context (i.e. APP awarded)</i> | The internet can reach many people | Greater number of potential customers who may buy cards from OC for special occasions | This may lead to increased sales | Increased sales → more revenue → more profit | Cheaper to promote | OC is a family business with limited capital | Keeps costs down for OC | Lower costs → may increase capital for expansion | Can use internet links to send customers to their website | Using OC's well established social media presence Can link directly to the CAD software | Increases the number of potential customers | Increased sales → more revenue → more profit | Attracts a younger audience | Greetings cards can be targeted at a younger audience | Leading to less competition for OC | Less competition → higher prices → more profit margin → increased profit | |
| Examples of knowledge (K) | Examples of application/context (APP) | Examples of limited analysis (AN) | Examples of good analysis (ANAN) <i>Must be in context (i.e. APP awarded)</i> | | | | | | | | | | | | | | | | | | | | | | |
| The internet can reach many people | Greater number of potential customers who may buy cards from OC for special occasions | This may lead to increased sales | Increased sales → more revenue → more profit | | | | | | | | | | | | | | | | | | | | | | |
| Cheaper to promote | OC is a family business with limited capital | Keeps costs down for OC | Lower costs → may increase capital for expansion | | | | | | | | | | | | | | | | | | | | | | |
| Can use internet links to send customers to their website | Using OC's well established social media presence Can link directly to the CAD software | Increases the number of potential customers | Increased sales → more revenue → more profit | | | | | | | | | | | | | | | | | | | | | | |
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| Question | Answer | | | | Marks |
|-----------------------------------|------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|--|-------|
| 1(c) | Examples of disadvantages: | | | | |
| Examples of knowledge (K) | Examples of application/context (APP) | Examples of limited analysis (AN) | Examples of good analysis (ANAN) <i>Must be in context (i.e. APP awarded)</i> | | |
| The internet may not be targetted | Many wasted views of the promotion by people who have no interest in buying greetings cards | This may lead to increased costs for promotion which is wasted | Increased costs → lower profit margin → less profit | | |
| Open to hackers | OC only sells greeting cards through the internet | Disable OCs ability to make sales | Decreased sales → lower profit/increased chance of loss | | |
| | OC does not have much capital as it is family owned | May not be able to afford the costs of good security | More chance of website being offline → decreased sales → lower profit/increased chance of loss | | |
| No control of internet marketing | OC relies on social media and viral marketing | Can create a bad reputation | Decreased sales → lower profit/increased chance of loss | | |
| | Greeting card industry requires a good reputation | | | | |
| Fast moving/dynamic environment | As opposed to the greetings card market which is well established (i.e. Christmas, special occasions etc.) | May need to be updated regularly which may not be the case with traditional promotion | Increased costs → lower profit margin → less profit | | |

| Question | Answer | | | | Marks | |
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| 1(d) | Evaluate the owners' decision to change the legal structure of OC to a public limited company. | | | | 11 | |
| Knowledge and Application (4 marks) | | Marks | Analysis and Evaluation (7 marks) | | | Marks |
| | | | Justified evaluation based on argument(s) in context | | | 7 |
| | | | Developed evaluation based on argument(s) in context | | | 6 |
| | | | An evaluative statement based on argument(s) in context | | | 5 |
| Shows understanding of changing from a private limited company to a public limited company | | 3–4 | Argument based on the impact(s) of changing the legal structure of OC to a public limited company | | | 3–4 |
| Shows knowledge of legal structures | | 1–2 | Limited analysis of TWO (or more) impacts of changing legal structure | | | 2 |
| | | | Limited analysis of ONE impact of changing legal structure | | | 1 |
| No creditable content | | | | | | |
| Note: APP marks can be gained from the change from Ltd to PLC without any mention of the business because this is the context given to the candidates | | | | | | |
| Answers could include: | | | | | | |
| Benefits | | | | | | |
| <ul style="list-style-type: none"> • OC could access more capital which may allow OC to expand further and use more traditional marketing methods • OC has started to see increased non current liabilities – by increasing the equity this may be reversed • Owners may become wealthy from selling their shares | | | | | | |
| Drawbacks | | | | | | |
| <ul style="list-style-type: none"> • OC might lose the family atmosphere, reducing the workers motivation • OC will need to publish their financial information if they become a plc which may give competitors an advantage • Owners may lose their control of OC • Owners will need to share profits | | | | | | |

| Question | Answer | | | | | Marks |
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| 1(d) | <p>K</p> <p>PLCs can sell shares on the stock market (K)</p> | <p>APP</p> <p>This opens up a new source of finance for OC (APP)</p> <hr/> <p>However anyone could buy the shares because they are now available on the stock market (APP)</p> | <p>AN</p> <p>Which could be used to expand the business (AN)</p> <hr/> <p>Which may lead to a loss of control for the current owners (AN)</p> | <p>ANAN</p> <p>Which may lead to more sales of greeting cards and profit for OC. (ANAN)</p> <hr/> <p>Who may limit the amount of shares they want to sell on the stock market and mean that OC does not have much extra capital to fund the expansion (ANAN)</p> | <p>EVAL</p> <p>Overall becoming a PLC may be the fastest way for OC to reach its objective of expansion (EVAL – statement)</p> <p>However how many shares the owners make available will depend upon how much they are willing to risk losing control of the business (EVAL – developed)</p> <p>If the expansion can be financed and the owners keep more than 50% of the shares then there is little risk and it is likely to have been a good decision. (EVAL – justified)</p> | |

| Question | Answer | Marks | | | | | | | | |
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| 2 | Nearly New (NN) | | | | | | | | | |
| 2(a)(i) | <p data-bbox="276 315 655 344">Define the term ‘inventory’.</p> <table border="1" data-bbox="300 378 1334 580"> <thead> <tr> <th data-bbox="300 378 1048 427">Knowledge and Application</th> <th data-bbox="1048 378 1334 427">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="300 427 1048 477">A correct definition</td> <td data-bbox="1048 427 1334 477">2</td> </tr> <tr> <td data-bbox="300 477 1048 526">A partially correct definition</td> <td data-bbox="1048 477 1334 526">1</td> </tr> <tr> <td data-bbox="300 526 1048 580">No creditable content</td> <td data-bbox="1048 526 1334 580">0</td> </tr> </tbody> </table> <p data-bbox="276 616 1010 645">A correct definition will cover two of the following bullets:</p> <ul data-bbox="331 685 1350 853" style="list-style-type: none"> • Stock • Raw materials, work in progress, finished products • Used in, or the result of the production process/operations – to fulfil future demand, to sell • Current asset <p data-bbox="276 893 1350 987"><i>Note: Inventory is a syllabus term to mean the stock of a business – a definition of inventory in terms of all the assets owned by a business (i.e. to take an inventory) is not rewardable.</i></p> | Knowledge and Application | Marks | A correct definition | 2 | A partially correct definition | 1 | No creditable content | 0 | 2 |
| Knowledge and Application | Marks | | | | | | | | | |
| A correct definition | 2 | | | | | | | | | |
| A partially correct definition | 1 | | | | | | | | | |
| No creditable content | 0 | | | | | | | | | |

| Question | Answer | Marks | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 2(a)(ii) | <p data-bbox="276 248 788 282">Briefly explain the term ‘sole trader’.</p> <table border="1" data-bbox="300 315 1334 835"> <tr> <td data-bbox="308 320 363 365">C</td> <td data-bbox="363 320 1198 387">One mark for each of the following (up to a maximum of two marks):</td> <td data-bbox="1198 320 1334 387" rowspan="2">1–2 marks</td> </tr> <tr> <td data-bbox="308 365 363 409">B</td> <td data-bbox="363 365 1198 745"> <ul style="list-style-type: none"> • Unincorporated • Unlimited liability • No continuity • No separate legal identity • Income tax must be paid (not corporation tax) • Owns all of the profit/responsible for all the losses/takes all the risk • Shares cannot be sold • Accounts do not need to be produced/published/made available </td> </tr> <tr> <td data-bbox="308 745 363 831">A</td> <td data-bbox="363 745 1198 831">One individual or one person (must be a clear idea of a single person)</td> <td data-bbox="1198 745 1334 831">1 mark</td> </tr> </table> <p data-bbox="276 869 1150 902">Note: the B and C marks are dependent on gaining the A mark</p> <table border="1" data-bbox="300 936 1334 1776"> <thead> <tr> <th data-bbox="308 940 820 985">Exemplar</th> <th data-bbox="820 940 935 985">Marks</th> <th data-bbox="935 940 1334 985">Rationale</th> </tr> </thead> <tbody> <tr> <td data-bbox="308 985 820 1104">Owned by one person who has unlimited liability and takes of the profit for themselves.</td> <td data-bbox="820 985 935 1104">3</td> <td data-bbox="935 985 1334 1104">A, B and C</td> </tr> <tr> <td data-bbox="308 1104 820 1223">A single owner with no shareholders and accounts do not need to be published.</td> <td data-bbox="820 1104 935 1223">3</td> <td data-bbox="935 1104 1334 1223">A, B and C</td> </tr> <tr> <td data-bbox="308 1223 820 1341">A sole trader has unlimited liability and no continuity. It is owned by one person.</td> <td data-bbox="820 1223 935 1341">3</td> <td data-bbox="935 1223 1334 1341">It does not matter if the A mark comes after the B and C marks</td> </tr> <tr> <td data-bbox="308 1341 820 1420">Owned by one person with no shareholders</td> <td data-bbox="820 1341 935 1420">2</td> <td data-bbox="935 1341 1334 1420">A and B</td> </tr> <tr> <td data-bbox="308 1420 820 1538">A sole trader does not have any shareholders</td> <td data-bbox="820 1420 935 1538">0</td> <td data-bbox="935 1420 1334 1538">No A mark – this could just as easily apply to a partnership.</td> </tr> <tr> <td data-bbox="308 1538 820 1657">A business that has unlimited liability with no shareholders and no continuity.</td> <td data-bbox="820 1538 935 1657">0</td> <td data-bbox="935 1538 1334 1657">No A mark – this could just as easily apply to a partnership.</td> </tr> <tr> <td data-bbox="308 1657 820 1776">The person responsible for finance, decision making etc...</td> <td data-bbox="820 1657 935 1776">0</td> <td data-bbox="935 1657 1334 1776">No understanding of one owner – this could be a manager</td> </tr> </tbody> </table> | C | One mark for each of the following (up to a maximum of two marks): | 1–2 marks | B | <ul style="list-style-type: none"> • Unincorporated • Unlimited liability • No continuity • No separate legal identity • Income tax must be paid (not corporation tax) • Owns all of the profit/responsible for all the losses/takes all the risk • Shares cannot be sold • Accounts do not need to be produced/published/made available | A | One individual or one person (must be a clear idea of a single person) | 1 mark | Exemplar | Marks | Rationale | Owned by one person who has unlimited liability and takes of the profit for themselves. | 3 | A, B and C | A single owner with no shareholders and accounts do not need to be published. | 3 | A, B and C | A sole trader has unlimited liability and no continuity. It is owned by one person. | 3 | It does not matter if the A mark comes after the B and C marks | Owned by one person with no shareholders | 2 | A and B | A sole trader does not have any shareholders | 0 | No A mark – this could just as easily apply to a partnership. | A business that has unlimited liability with no shareholders and no continuity. | 0 | No A mark – this could just as easily apply to a partnership. | The person responsible for finance, decision making etc... | 0 | No understanding of one owner – this could be a manager | 3 |
| C | One mark for each of the following (up to a maximum of two marks): | 1–2 marks | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| B | <ul style="list-style-type: none"> • Unincorporated • Unlimited liability • No continuity • No separate legal identity • Income tax must be paid (not corporation tax) • Owns all of the profit/responsible for all the losses/takes all the risk • Shares cannot be sold • Accounts do not need to be produced/published/made available | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| A | One individual or one person (must be a clear idea of a single person) | 1 mark | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Exemplar | Marks | Rationale | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Owned by one person who has unlimited liability and takes of the profit for themselves. | 3 | A, B and C | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| A single owner with no shareholders and accounts do not need to be published. | 3 | A, B and C | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| A sole trader has unlimited liability and no continuity. It is owned by one person. | 3 | It does not matter if the A mark comes after the B and C marks | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Owned by one person with no shareholders | 2 | A and B | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| A sole trader does not have any shareholders | 0 | No A mark – this could just as easily apply to a partnership. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| A business that has unlimited liability with no shareholders and no continuity. | 0 | No A mark – this could just as easily apply to a partnership. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| The person responsible for finance, decision making etc... | 0 | No understanding of one owner – this could be a manager | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Question | Answer | Marks | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 2(b)(i) | <p data-bbox="276 248 1334 315">Calculate the total profit that Nathan would make if he sold the whole batch of repaired laptop computers.</p> <table border="1" data-bbox="301 349 1334 701"> <thead> <tr> <th data-bbox="309 349 440 398">Mark</th> <th data-bbox="440 349 1334 398">Rationale</th> </tr> </thead> <tbody> <tr> <td data-bbox="309 398 440 483">3 marks</td> <td data-bbox="440 398 1334 483">Correct calculation of the total profit (no \$ required) with or without correct working</td> </tr> <tr> <td data-bbox="309 483 440 568">2 marks</td> <td data-bbox="440 483 1334 568">Correct calculation of total costs or correct calculation of total revenue (with working)</td> </tr> <tr> <td data-bbox="309 568 440 654">1 mark</td> <td data-bbox="440 568 1334 654">Correct formula or correct calculation of total variable costs (with working)</td> </tr> <tr> <td data-bbox="309 654 440 701">0 marks</td> <td data-bbox="440 654 1334 701">No creditable content</td> </tr> </tbody> </table> <p data-bbox="276 734 1286 801">Note: allow an answer of 1500 even if the candidate has identified it as a different figure in the answer (i.e. Total Cost = 1500 = 3 marks)</p> <p data-bbox="276 835 403 869">Formula:</p> <p data-bbox="276 902 724 936">Total revenue – total costs = profit</p> <p data-bbox="276 969 462 1003">Calculations:</p> <table data-bbox="276 1037 957 1420"> <tbody> <tr> <td data-bbox="276 1037 766 1070">Total variable costs = 20 × £50 repair</td> <td data-bbox="790 1037 813 1070">=</td> <td data-bbox="869 1037 957 1070">\$1000</td> </tr> <tr> <td data-bbox="276 1104 638 1137">Total costs = Purchase cost</td> <td data-bbox="790 1104 813 1137">=</td> <td data-bbox="869 1104 957 1137">\$2000</td> </tr> <tr> <td data-bbox="446 1137 654 1171">20 × £50 repair</td> <td data-bbox="790 1137 813 1171">=</td> <td data-bbox="869 1137 957 1171"><u>\$1000</u></td> </tr> <tr> <td></td> <td></td> <td data-bbox="869 1171 957 1205">\$3000</td> </tr> <tr> <td data-bbox="276 1272 446 1305">50% mark up</td> <td data-bbox="790 1272 813 1305">=</td> <td data-bbox="869 1272 957 1305"><u>\$1500</u></td> </tr> <tr> <td></td> <td></td> <td data-bbox="869 1305 957 1339">\$4500</td> </tr> <tr> <td data-bbox="276 1373 343 1406">Profit</td> <td data-bbox="790 1373 813 1406">=</td> <td data-bbox="869 1373 957 1406"><u>\$1500</u></td> </tr> </tbody> </table> | Mark | Rationale | 3 marks | Correct calculation of the total profit (no \$ required) with or without correct working | 2 marks | Correct calculation of total costs or correct calculation of total revenue (with working) | 1 mark | Correct formula or correct calculation of total variable costs (with working) | 0 marks | No creditable content | Total variable costs = 20 × £50 repair | = | \$1000 | Total costs = Purchase cost | = | \$2000 | 20 × £50 repair | = | <u>\$1000</u> | | | \$3000 | 50% mark up | = | <u>\$1500</u> | | | \$4500 | Profit | = | <u>\$1500</u> | 3 |
| Mark | Rationale | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 marks | Correct calculation of the total profit (no \$ required) with or without correct working | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 marks | Correct calculation of total costs or correct calculation of total revenue (with working) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 mark | Correct formula or correct calculation of total variable costs (with working) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 0 marks | No creditable content | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total variable costs = 20 × £50 repair | = | \$1000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total costs = Purchase cost | = | \$2000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 20 × £50 repair | = | <u>\$1000</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | \$3000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 50% mark up | = | <u>\$1500</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | \$4500 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Profit | = | <u>\$1500</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Question | Answer | | Marks |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|--------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2(b)(i) | Common answers | | |
| | Answer | Marks | Rationale |
| 1500 (no working) | 3 | | Allow the answer with or without working and \$ or incorrect working |
| \$2000 + \$1000 = \$3000 | 2 | | Working to support that this is the total cost figure |
| 3000 (no working) | 0 | | A wrong answer with no working to know where the answer has come from |
| 20 × \$50 = \$1000 | 1 | | Working to support the calculation of variable costs |
| \$2000 | 0 | | A wrong answer with no working to know where the answer has come from |
| 50% of \$2000 = \$1000 20 × \$50 = \$1000 So profit = \$0 | 2 | | One error – mark up was calculated on FC not TC OFR |
| <u>\$2000</u> 20 = \$100 (FC per computer) \$100 + \$50 (VC) = \$150 (total cost per computer) 50% of \$150 = \$75 (mark up per computer) \$150 + \$75 = \$225 (price per computer) \$225 × 20 = \$4500 (total selling revenue) | 2 | | A route to find total revenue but no profit figure – any valid route to find TR correctly without a correct calculation of profit should be awarded 2 marks as long as there is working. |
| \$4500 (no working) | 0 | | A wrong answer with no working to know where the answer has come from |

| Question | Answer | Marks | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 2(b)(ii) | <p data-bbox="276 248 1286 282">Explain <u>one</u> advantage to Nathan of using a cost based pricing strategy.</p> <table border="1" data-bbox="300 315 1334 667"> <thead> <tr> <th data-bbox="300 315 496 365">Level</th> <th data-bbox="496 315 1145 365">Knowledge and Application</th> <th data-bbox="1145 315 1334 365">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="300 365 496 450">2 (APPAPP)</td> <td data-bbox="496 365 1145 450">Explanation of an <u>advantage</u> of using cost based pricing in context</td> <td data-bbox="1145 365 1334 450">3</td> </tr> <tr> <td data-bbox="300 450 496 535">2 (APP)</td> <td data-bbox="496 450 1145 535">Identification of an <u>advantage</u> of using cost based pricing in context</td> <td data-bbox="1145 450 1334 535">2</td> </tr> <tr> <td data-bbox="300 535 496 620">1 (K)</td> <td data-bbox="496 535 1145 620">Identification of an <u>advantage</u> of using cost based pricing</td> <td data-bbox="1145 535 1334 620">1</td> </tr> <tr> <td data-bbox="300 620 496 667">0</td> <td data-bbox="496 620 1145 667">No creditable content</td> <td data-bbox="1145 620 1334 667">0</td> </tr> </tbody> </table> <p data-bbox="276 701 579 734">Answers could include:</p> <table border="1" data-bbox="300 768 1334 1590"> <thead> <tr> <th data-bbox="300 768 647 887">Examples of identifications of an advantage (K)</th> <th data-bbox="647 768 991 887">Examples of context (APP)</th> <th data-bbox="991 768 1334 887">Possible explanations (APPAPP)</th> </tr> </thead> <tbody> <tr> <td data-bbox="300 887 647 1189" rowspan="2">Quick and simple</td> <td data-bbox="647 887 991 1037">Nathan is a computer engineer and may not be experienced in running a business.</td> <td data-bbox="991 887 1334 1037">Therefore this will save Nathan time.</td> </tr> <tr> <td data-bbox="647 1037 991 1189">Nathan needs to focus on repairing computers not complicated pricing methods.</td> <td data-bbox="991 1037 1334 1189">So Nathan can focus on gaining sales for the business.</td> </tr> <tr> <td data-bbox="300 1189 647 1339">Always leads to a profit Always covers the full cost of each computer</td> <td data-bbox="647 1189 991 1339">Each computer has a total cost of \$150.</td> <td data-bbox="991 1189 1334 1339">So any price higher than this will result in a profit for Nathan.</td> </tr> <tr> <td data-bbox="300 1339 647 1590">Predictable profit margin</td> <td data-bbox="647 1339 991 1590">Nathan chose a 50% mark-up.</td> <td data-bbox="991 1339 1334 1590">So the mark-up should always equal the profit margin. So Nathan can target a certain margin that he will find acceptable.</td> </tr> </tbody> </table> | Level | Knowledge and Application | Marks | 2 (APPAPP) | Explanation of an <u>advantage</u> of using cost based pricing in context | 3 | 2 (APP) | Identification of an <u>advantage</u> of using cost based pricing in context | 2 | 1 (K) | Identification of an <u>advantage</u> of using cost based pricing | 1 | 0 | No creditable content | 0 | Examples of identifications of an advantage (K) | Examples of context (APP) | Possible explanations (APPAPP) | Quick and simple | Nathan is a computer engineer and may not be experienced in running a business. | Therefore this will save Nathan time. | Nathan needs to focus on repairing computers not complicated pricing methods. | So Nathan can focus on gaining sales for the business. | Always leads to a profit Always covers the full cost of each computer | Each computer has a total cost of \$150. | So any price higher than this will result in a profit for Nathan. | Predictable profit margin | Nathan chose a 50% mark-up. | So the mark-up should always equal the profit margin. So Nathan can target a certain margin that he will find acceptable. | 3 |
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| 1 (K) | Identification of an <u>advantage</u> of using cost based pricing | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 0 | No creditable content | 0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 2(c) | Analyse <u>two</u> methods Nathan could use to improve NN's cash flow. | | | | 8 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="1"> <thead> <tr> <th data-bbox="300 315 405 398">Level</th> <th data-bbox="405 315 715 398">Knowledge and application</th> <th data-bbox="715 315 826 398"></th> <th data-bbox="826 315 1222 398">Analysis</th> <th data-bbox="1222 315 1337 398"></th> </tr> </thead> <tbody> <tr> <td data-bbox="300 398 405 584" style="text-align: center;">2</td> <td data-bbox="405 398 715 584">Shows understanding of TWO methods of improving cash flow in context</td> <td data-bbox="715 398 826 584" style="text-align: center;">4</td> <td data-bbox="826 398 1222 584">Good analysis of TWO methods of improving cash flow in context</td> <td data-bbox="1222 398 1337 584" style="text-align: center;">4</td> </tr> <tr> <td data-bbox="300 584 405 770"></td> <td data-bbox="405 584 715 770">Shows understanding of ONE method of improving cash flow in context</td> <td data-bbox="715 584 826 770" style="text-align: center;">3</td> <td data-bbox="826 584 1222 770">Good analysis of ONE method of improving cash flow in context</td> <td data-bbox="1222 584 1337 770" style="text-align: center;">3</td> </tr> <tr> <td data-bbox="300 770 405 887" style="text-align: center;">1</td> <td data-bbox="405 770 715 887">Shows knowledge of TWO methods of improving cash flow</td> <td data-bbox="715 770 826 887" style="text-align: center;">2</td> <td data-bbox="826 770 1222 887">Limited analysis of TWO methods of improving cash flow</td> <td data-bbox="1222 770 1337 887" style="text-align: center;">2</td> </tr> <tr> <td data-bbox="300 887 405 1037"></td> <td data-bbox="405 887 715 1037">Shows knowledge of cash flow or ONE method of improving cashflow</td> <td data-bbox="715 887 826 1037" style="text-align: center;">1</td> <td data-bbox="826 887 1222 1037">Limited analysis of ONE method of improving cash flow</td> <td data-bbox="1222 887 1337 1037" style="text-align: center;">1</td> </tr> <tr> <td data-bbox="300 1037 405 1088" style="text-align: center;">0</td> <td colspan="4" data-bbox="405 1037 1337 1088" style="text-align: center;">No creditable content</td> </tr> </tbody> </table> | | | | | | Level | Knowledge and application | | Analysis | | 2 | Shows understanding of TWO methods of improving cash flow in context | 4 | Good analysis of TWO methods of improving cash flow in context | 4 | | Shows understanding of ONE method of improving cash flow in context | 3 | Good analysis of ONE method of improving cash flow in context | 3 | 1 | Shows knowledge of TWO methods of improving cash flow | 2 | Limited analysis of TWO methods of improving cash flow | 2 | | Shows knowledge of cash flow or ONE method of improving cashflow | 1 | Limited analysis of ONE method of improving cash flow | 1 | 0 | No creditable content | | | |
| Level | Knowledge and application | | Analysis | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| | Shows understanding of ONE method of improving cash flow in context | 3 | Good analysis of ONE method of improving cash flow in context | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 | Shows knowledge of TWO methods of improving cash flow | 2 | Limited analysis of TWO methods of improving cash flow | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Shows knowledge of cash flow or ONE method of improving cashflow | 1 | Limited analysis of ONE method of improving cash flow | 1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 0 | No creditable content | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>One factor analysed in context, max 3 + 3</i> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Note: the focus of the analysis must be on improving cashflow | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Answers could include: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> • Could use a cashflow forecast to identify when Nathan needs extra cash • Nathan could take a partner (this is contextual) • Could arrange credit facilities with suppliers– would the large electrical retailers offer him any credit? • If Nathan currently offers credit (unlikely) he could make sure his customers pay on delivery or in advance. • Nathan could take out a short term source of finance for times when he needs extra cash to purchase inventory – cost of finance, likelihood of getting finance • Take out a long term source of finance to give Nathan access to cash when he needs it – opportunity cost of using finance, cost of finance • Keep a low amount of cash tied up in inventory – unlikely to be popular as customers want next day delivery and a range of computers | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Question | Answer | | | Marks |
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| 2(c) | Examples of methods | Examples of application/context | Examples of possible analysis | |
| | Arrange credit with suppliers | <p>Nathan is purchasing from large electrical retailers who may be likely to give him credit.</p> <p>Nathan is an established customer of the large electrical businesses and therefore more likely to get credit.</p> <p>Nathan needs the time this credit would give him to repair the computers.</p> | <p>More time to pay → sell computers before paying for the stock → revenue before costs need to be paid → less chance of negative cashflow</p> | |
| Short term source of finance | <p>Nathan is an established business and may get credit.</p> <p>Nathan is a sole trader and may struggle to get a short term source of finance</p> <p>A short term source of finance would allow Nathan to purchase the computers without needing a 'buffer' of cash available – he can add in the cost of finance to the price of the computers (i.e. costs plus).</p> | <p>Allow purchase without needing cash → Will not worsen Nathans cashflow position → Less chance of negative cashflow</p> <p>Increase costs of NN → Increase price of a computer → May reduce sales → may reduce profits</p> | | |

| Question | Answer | | | | Marks | |
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| 2(d) | Recommend which one of the two potential employees Nathan should select. Justify your recommendation. | | | | 11 | |
| Knowledge and Application (4 marks) | | Marks | Analysis and Evaluation (7 marks) | | | Marks |
| | | | A justified recommendation for Nathan on which potential employee he should select based on the given arguments for selecting Katy and Sahdat | | | 7 |
| | | | A developed recommendation for Nathan on which potential employee he should select based on the given arguments for selecting Katy and Sahdat | | | 6 |
| | | | An evaluative statement/recommendation based on the given arguments for selecting Katy and Sahdat | | | 5 |
| Shows understanding of selection criteria for Katy and Sahdat | 4 | Argument(s) based on selecting Katy and Sahdat as potential employees for NN | | 4 | | |
| Shows understanding of selection criteria for Katy or Sahdat | 3 | Argument(s) based on selecting Katy or Sahdat as potential employees for NN | | 3 | | |
| Shows knowledge of selection | 1–2 | Limited analysis of Katy and Sahdat as potential employees | | 2 | | |
| | | Limited analysis of Katy or Sahdat as potential employees | | 1 | | |
| <i>Note: APP, AN and ANAN about Katy should be placed in left hand margin and Sahdat in right hand margin</i> | | | | | | |
| <p>Katy</p> <ul style="list-style-type: none"> • Lower previous salary • Some experience of dealing with electrical retailers (NNs suppliers) • Degree – but is this necessary? • Younger – but is this a benefit and should Nathan make a decision based on age (legal issues?) • Relevant skills and organisation could be useful <p>Sahdat</p> <ul style="list-style-type: none"> • Higher previous salary – does this mean that he will expect more? • More experience in relevant area • No qualifications, but are they necessary? • Older, but could this be a benefit? • Will his skills of managing employees and communication be any use within NN where he will be the only employee and possibly not customer facing? | | | | | | |

| Question | Answer | | | | | Marks |
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| 2(d) | An example of how an answer could develop and how it should be annotated. | | | | | |
| | <p>K</p> <p>Selection is the ability to choose between potential employees for a position. (K)</p> <p>A business can select employees through interviews, experience, skills etc. (K)</p> | <p>APP</p> <p>Katy has got some experience working for a large electrical retailer. (APP)</p> <hr/> <p>However Sahdat has more experience than Katy in repairing computers but he has been his own boss for the last 10 years. (APP)</p> | <p>AN</p> <p>This may help Nathan to negotiate better prices and credit with his suppliers who are the large electrical retailers. (AN)</p> <hr/> <p>More experience may lead to quicker repairs. (AN)</p> <p>However he may not be willing to take instructions from Nathan about what to do. (AN)</p> | <p>ANAN (one sided)</p> <p>This is likely to reduce the costs for Nathan of doing business, improve his cashflow and increase his chances of making a profit. (ANAN – Katy)</p> <hr/> <p>Quicker repairs could increase the productivity of NN and mean that he can sell more computers, quicker and gain more profit. (ANAN – Sahdat)</p> <p>If Sahdat cannot take orders then Nathan may find him difficult to manage and this may lead to conflict and lower productivity for NN. (ANAN – Sahdat)</p> | <p>EVAL</p> <p>I would recommend that Nathan chooses Sahdat because better productivity will help Nathan to sell computers quicker and this may help solve his major problem of cashflow. (EVAL – statement)</p> <hr/> <p>However it depends upon whether Nathan feels he can manage Sahdat. (EVAL – developed)</p> <p>If he can't then this productivity boost is unlikely to happen and Katy might be the better option as she may be easier to manage. (EVAL – justified)</p> | |
| | <p><i>Note: only two ANANs are needed (one for Katy and one for Sahdat) to enable evaluation many candidates will attempt more analysis to give depth to their evaluation. Make sure you are only awarding analysis to the appropriate level – if a candidate has tried to cover lots of different points but only got to limited analysis (AN) each time, then this does not build an argument. Please look out for quality of analysis rather than quantity.</i></p> | | | | | |