

Cambridge IGCSE™

BUSINESS STUDIES**0450/23**

Paper 2 Case Study

October/November 2024

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 2024 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

This document consists of **19** printed pages.

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.

**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.

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.

0450/7115/0986 Business Studies – Paper 2 Annotations

Annotation	Description	Use
Tick	Tick	Indicates a point which is relevant and rewardable (used in part (a) questions).
Cross	Cross	Indicates a point which is inaccurate/irrelevant and not rewardable.
BOD	Benefit of doubt	Used when the benefit of the doubt is given in order to reward a response.
TV	Too vague	Used when parts of the answer are considered to be too vague.
REP	Repetition	Indicates where content has been repeated.
NAQ	Not answered question	Used when the answer or parts of the answer are not answering the question asked.
APP	Application	Indicates appropriate reference to the information in the context.
OFR	Own figure rule	If a mistake is made in a calculation, and the incorrect figure that results from the mistake is used for subsequent calculations.
SEEN	Noted but no credit given	Indicates that content has been recognised but not rewarded.
L1	Level 1	Used in part (b) questions to indicate where a response includes limited knowledge and 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.

Question	Answer	Marks
1(a)	Explain <u>two</u> ways the slump in country P's economy may be affecting SA. Award 1 mark for each suitable way (max 2). Award a maximum of 3 additional marks for each explanation of the way the slump in country P's economy may be affecting the business – one of which must be applied to this context. Suitable ways might include: • Reduced demand/sale of products – due to reduced incomes of households – as a result of high levels of unemployment • Prices may have to fall – lower profit margins – because business may be forced to keep prices low to maintain sales • Limited/slows down output – because some of the business' suppliers fail to survive • Lack of business confidence to invest – more difficult to persuade banks to lend – sales may have been low for a considerable time leading to low/no profit / business not able to repay loan • May need to find new markets in other countries – to maintain sales For example: Demand for SA's products is likely to have fallen and be at a low level (1) leading to low sales and possibly low or no profit (1). This is due to high levels of unemployment in the economy (1) leading to reduced incomes for households to be able to spend on clothes. (app) Application could include: sustainable cotton; clothes; trading for 30 years; uses batch production; 500 production employees; JIT inventory control; high-quality clothes; brand image for protecting the environment; forecast to move into the growth phase of the business cycle in 2025; low labour turnover; experienced skilled workers.	8

Question	Answer	Marks															
1(b)	Consider each of the following <u>three</u> business objectives for SA. Which objective is likely to be the most important for SA? Justify your answer. - To increase profit - To increase market share - To survive <table border="1"> <thead> <tr> <th>Level</th><th>Description</th><th>Marks</th></tr> </thead> <tbody> <tr> <td>3</td><td> Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of two or more objectives. Well-justified conclusion. Candidates discussing all three objectives in detail, in context and with a well-justified conclusion, including why the alternative objectives 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 objective. Judgement with some justification/some evaluation of choices made. Candidates discussing two or more objectives 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 objectives with little/no explanation. Simple judgement with limited justification/limited evaluation of choices made. Candidates outlining all three objectives 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> </tbody> </table>	Level	Description	Marks	3	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of two or more objectives. Well-justified conclusion. Candidates discussing all three objectives in detail, in context and with a well-justified conclusion, including why the alternative objectives were rejected, should be rewarded with the top marks in the band.	9–12	2	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of at least one objective. Judgement with some justification/some evaluation of choices made. Candidates discussing two or more objectives in detail and applying them to the case should be rewarded with the top marks in the band.	5–8	1	Limited application of knowledge and understanding of relevant business concepts. Limited ability to discuss the objectives with little/no explanation. Simple judgement with limited justification/limited evaluation of choices made. Candidates outlining all three objectives in context should be rewarded with the top marks in the band.	1–4	0	No creditable response.	0	12
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1(b)	Relevant points might include: <table><tr><td>To increase profit</td><td> - To possibly pay increased dividends to shareholders – less likely to sell the shares so keeps share price stable – less likely to be taken over - Can provide a source of finance for the public limited company – reduces the need to take out a bank loan if SA want to invest – may mean lower expenses as interest payments not paid - Managers may try to reduce costs by buying raw materials that are not made of sustainable cotton to increase profits – possibly lead to lower quality products – reduce customer satisfaction and sales - Managers may increase costs in the short-term by increased advertising of high-quality clothes – if successful may increase revenue and possibly profits </td></tr><tr><td>To increase market share</td><td> - Focus on increasing competitiveness to attract increased number of customers who are interested in buying from a company that has a brand image for protecting the environment – may need to lower prices to achieve this – leading to lower profits - May lead to higher costs by selling new range of clothes in their own shops – to attract an increased number of customers to increase revenue </td></tr><tr><td>To survive</td><td> - Focus on needing to keep costs down – to ensure revenue covers costs - and not make a loss in each of the clothes shops - Ensure employees can regularly be paid – keeps 500 production employees working for SA </td></tr></table>	To increase profit	- To possibly pay increased dividends to shareholders – less likely to sell the shares so keeps share price stable – less likely to be taken over - Can provide a source of finance for the public limited company – reduces the need to take out a bank loan if SA want to invest – may mean lower expenses as interest payments not paid - Managers may try to reduce costs by buying raw materials that are not made of sustainable cotton to increase profits – possibly lead to lower quality products – reduce customer satisfaction and sales - Managers may increase costs in the short-term by increased advertising of high-quality clothes – if successful may increase revenue and possibly profits	To increase market share	- Focus on increasing competitiveness to attract increased number of customers who are interested in buying from a company that has a brand image for protecting the environment – may need to lower prices to achieve this – leading to lower profits - May lead to higher costs by selling new range of clothes in their own shops – to attract an increased number of customers to increase revenue	To survive	- Focus on needing to keep costs down – to ensure revenue covers costs - and not make a loss in each of the clothes shops - Ensure employees can regularly be paid – keeps 500 production employees working for SA	
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Question	Answer		Marks
1(b)	Conclusion	Justification could include: - To increase profit is most important to SA as the shareholders may expect a dividend paid each year or they may sell their shares and then SA could be in danger of being taken over by other clothing manufacturers. Increasing market share is less important as sales can grow without an increase in market share if the market as a whole is growing. The economy is expected to come out of the slump in 2025 so being able to survive is becoming less important in the future. - To increase market share is most important as it should mean that SA has increased sales of sustainable clothing in their shops. - To survive is most important to SA as the economy is still in a slump and if it doesn't concentrate on trying to survive then the other objectives cannot be met.	

Question	Answer	Marks
2(a)	Explain <u>two</u> reasons why SA wants to keep labour turnover low. Award one mark for each reason (max 2). Award a maximum of 3 additional marks for each explanation of the reason why SA wants to keep labour turnover low – one of which must be applied to this context. Reasons might include: - So recruitment costs will not be increased – no need to pay to advertise a vacancy - Time is saved recruiting new employees – no time is spent interviewing applicants – so managers have more time to focus on other issues - Training costs will be kept lower – as employees will already be trained - Keeps production at higher levels / less likely to disrupt output – as employees do not leave so production is not interrupted by employees leaving – orders can be filled without delays/meet demand - Has employees already trained if sales increase – can quickly produce increased output from existing employees – higher sales if can be amongst the first businesses to increase output if demand increases For example: Recruitment costs will not increase if labour turnover is kept low (1) so there is no need to pay to advertise a vacancy (1) to replace one of the 500 production employees (app) lowering cash outflows (1). Application could include: sustainable cotton; clothes; trading for 30 years; uses batch production; 500 production employees; JIT inventory control; high-quality products; forecast to move into the growth phase of the business cycle in 2025; experienced skilled workers.	8

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2(b)	Consider the benefits to SA of having part-time and full-time employees in its factory. Should SA only have part-time employees in the future? Justify your answer. <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 the two types of employees. Well-justified conclusion. Candidates discussing the two types in detail, in context and with a well-justified conclusion, including why one alternative 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 type of employees. Judgement with some justification/some evaluation of choice made. Candidates discussing the two types 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 alternatives with little/no explanation. Simple judgement with limited justification/limited evaluation of choice made. Candidates outlining the two types 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>	Level	Description	Marks	3	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of the two types of employees. Well-justified conclusion. Candidates discussing the two types in detail, in context and with a well-justified conclusion, including why one alternative was rejected, should be rewarded with the top marks in the band.	9–12	2	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of at least one type of employees. Judgement with some justification/some evaluation of choice made. Candidates discussing the two types in detail and applying them to the case should be rewarded with the top marks in the band.	5–8	1	Limited application of knowledge and understanding of relevant business concepts. Limited ability to discuss the alternatives with little/no explanation. Simple judgement with limited justification/limited evaluation of choice made. Candidates outlining the two types in context should be rewarded with the top marks in the band.	1–4	0	No Creditable Response	0	12
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Question	Answer		Marks
2(b)	Conclusion	Justification might include: • Yes, SA should only employ part-time workers because the economy may be in a slump until 2025 and there may not be a high demand for SA's clothing products so part-time employees might be cheaper in terms of wage costs than full-time employees. They may be willing to work increased hours at busy times in the future therefore saving SA the costs of having to always pay full-time wages. Full-time employees will need to be paid even if there is insufficient demand to keep them working all the hours in the factory. • No, SA should employ some full-time workers as they will gain more skills and may be suitable to take on more responsibility when the economy starts to grow again as forecast for 2025. This may be more difficult to do in the future with only part-time employees.	

Question	Answer	Marks
3(a)	Explain <u>four</u> roles of packaging for a business. Award 1 mark for each suitable role (max 4). Award 1 additional mark for each explanation of the role. There are no marks for application in this question. Roles might include: • Protect the product – so that it doesn't get damaged in transit • Promote the brand image – so the product is easily identifiable from other brands • Provides information about the product – such as what materials have been used to make the product • Easy to transport the product – so the packaging shouldn't be more bulky than necessary • Easy to open the packaging – so customers can quickly open and use the product • Eye-catching – to attract potential customers to the product • Suitable size for the products to fit in – packaging that is very large can take up additional warehouse space and storage needs to be cost effective For example: To protect the product (1) so that it doesn't get damaged whilst being transported to shops or customers (1).	8

Question	Answer	Marks															
3(b)	Consider the advantages and disadvantages of the following <u>two</u> methods SA could use to achieve quality production. Which method should SA choose? Justify your answer. • Quality control • Quality assurance <table border="1"> <thead> <tr> <th>Level</th><th>Description</th><th>Marks</th></tr> </thead> <tbody> <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 detail, 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 both methods 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 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> </tbody> </table>	Level	Description	Marks	3	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 detail, 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.	9–12	2	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 both methods in detail and applying them to the case should be rewarded with the top marks in the band.	5–8	1	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.	1–4	0	No creditable response.	0	12
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Question	Answer			Marks
3(b)	Relevant points might include:			
		Advantages	Disadvantages	
	Quality control	- Products checked at the end of the production line tries to eliminate faults and errors before the customer receives the sustainable cotton clothes - Less training is required for the 500 production workers as inspectors check the quality of the clothes before they leave the factory, and employees do not need to be trained to check their own work	- It raises costs as inspectors need to be employed - Identifies faulty products at the end of the batch production process but does not identify where the fault has occurred - If do not identify the fault, then it does not eliminate the faulty process - High costs if clothes need to be scrapped	
	Quality assurance	- Products checked at every stage of the production process to try to eliminate faults or errors at each stage of production before passing to the next stage reducing faults at the end - therefore, there are fewer customer complaints about faulty clothes - Reduced costs if fewer items of clothing are scrapped - Can make workers feel trusted and may improve motivation	- Can be expensive to train employees to check the quality of their own work - The reliability of employees is important, and they need to be committed to their work or quality assurance will not be effective - Takes longer to produce high-quality clothes as each worker needs to do their own check for faults	

Question	Answer		Marks
3(b)	Recommendation	Justification may include: - As they use batch production quality control may be more suitable as inspectors may just carry out a simple check at the end of the production line. Therefore, the 500 production workers do not need to be trained to check their own work, reducing training costs, which they would have to do if quality assurance was used. - Quality assurance is best because each stage of production will be checked so it is less likely for a faulty product to go to customers than if quality control is used. It keeps a good brand image for SA's high-quality products. It will ensure faults do not need to be repaired, reducing the cost of faulty cotton products being scrapped.	

Question	Answer	Marks
4(a)	Explain <u>two</u> advantages and <u>two</u> disadvantages of SA using just-in-time (JIT) inventory control. Award 1 mark for each relevant advantage/disadvantage (max 4). Award a maximum of 1 additional mark for each explanation of the advantage/disadvantage which must be applied to this context. Relevant advantages might include: • Reduces cost of holding inventory – as fewer sustainable cotton raw materials will need to be stored • Warehouse space is not needed – to store the part-finished clothes • Helps improve cash flow – for the business that has been trading for 30 years • Less likely to have inventory that goes out of date/fashion Relevant disadvantages might include: • May not be able to meet an unexpected increase in demand – as the economy comes out of the slump and goes into the growth stage of the business cycle in 2025 • There may be late deliveries of raw materials – and the batch production process will be delayed • Relies on a good relationship with suppliers – to maintain the brand image of protecting the environment • Cannot benefit from economies of scale • Less room for mistakes in the production process For example: Reduces the cost of holding inventory (1) as fewer sustainable cotton raw materials will be required to be stored ready for the production process (app). Application could include: sustainable cotton; clothes; trading for 30 years; high-quality products; uses batch production; 500 production employees; has its own shops; brand image for protecting the environment; forecast to move into the growth phase of the business cycle in 2025; low labour turnover; experienced skilled workers.	8

Question	Answer	Marks															
4(b)	Consider the <u>two</u> extracts from SA's income statements in Appendix 3. Do you think SA's financial performance will have improved by the end of 2024? Justify your answer using appropriate calculations. <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 years. Well-justified conclusion. Candidates discussing both years in detail, in context and with a well-justified conclusion, including whether the financial position will have improved, 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 year. Judgement with some justification/some evaluation of choice made. Candidates discussing both years 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 years with little/no explanation. Simple judgement with limited justification/limited evaluation of choice made. Candidates outlining both years 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>	Level	Description	Marks	3	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of both years. Well-justified conclusion. Candidates discussing both years in detail, in context and with a well-justified conclusion, including whether the financial position will have improved, should be rewarded with the top marks in the band.	9–12	2	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of at least one year. Judgement with some justification/some evaluation of choice made. Candidates discussing both years in detail and applying them to the case should be rewarded with the top marks in the band.	5–8	1	Limited application of knowledge and understanding of relevant business concepts. Limited ability to discuss the years with little/no explanation. Simple judgement with limited justification/limited evaluation of choice made. Candidates outlining both years in context should be rewarded with the top marks in the band.	1–4	0	No creditable response.	0	12
Level	Description	Marks															
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0	No creditable response.	0															

Question	Answer	Marks		
4(b)	Relevant points might include:			
	<table><tr><td>Level 1 calculations and statements</td><td> - Revenue is forecast to increase by \$10m/50% from \$20m to \$30m in 2024 - Cost of sales is forecast to increase by \$5m/100% from \$5m to \$10m in 2024 - Expenses are forecast to increase by \$4m/40% from \$10m to \$14m in 2024 - Profit is forecast to increase by \$1m/20% from \$5m to \$6m in 2024 - The economy is forecast to go into a growth phase of the business cycle in 2025 and sales should continue to increase - SA has all 500 production workers who can produce more cotton products so that forecast revenue is achievable </td></tr></table>	Level 1 calculations and statements	- Revenue is forecast to increase by \$10m/50% from \$20m to \$30m in 2024 - Cost of sales is forecast to increase by \$5m/100% from \$5m to \$10m in 2024 - Expenses are forecast to increase by \$4m/40% from \$10m to \$14m in 2024 - Profit is forecast to increase by \$1m/20% from \$5m to \$6m in 2024 - The economy is forecast to go into a growth phase of the business cycle in 2025 and sales should continue to increase - SA has all 500 production workers who can produce more cotton products so that forecast revenue is achievable	
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Question	Answer		Marks
4(b)	Conclusion	Justification might include: • Yes, SA's financial performance will have improved by the end of 2024 because revenue and profit are both forecast to increase. The forecast revenue is an increase of 50% to \$30m and profit is set to increase by 20% to \$6m. The economy is expected to move out of the slump so revenue should continue to increase into 2025 continuing to improve the revenue and profits of SA. • No, SA's financial performance is not likely to improve by the end of 2024 as both the gross profit margin and profit margin are expected to fall. Gross profit margin is forecast to have fallen by 8% and profit margin by 5%. This is because although revenue has increased from \$20m to \$30m the cost of sales and expenses have increased by a larger percentage. This suggests that SA is not keeping its costs under control and therefore its financial performance is forecast to get worse in 2024 even if its revenue and profits increase.	