Cambridge International AS & A Level

BUSINESS **9609/22**

Paper 2 Business Concepts 2 **February/March 2026**

MARK SCHEME

Maximum Mark: 60

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 February/March 2026 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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Generic Marking Principles

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

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

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

GENERIC MARKING PRINCIPLE 2:

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

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

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

GENERIC MARKING PRINCIPLE 4:

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

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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.

Annotations guidance for centres

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

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

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

Annotations

Annotation	Meaning
✓	For objective points that are right or wrong.
✗	For objective points that are wrong.
?	When there is a misunderstanding in a response.
TV	When the candidate has attempted something, but the mark/skill has not been awarded.
Highlighter Or Underline	To highlight a point or section of an answer that justifies the mark/annotation.
BOD	When the candidate has attempted something, and the mark/skill has been awarded.
On page comment	To communicate with the supervisor.
NUT	When the context has not been used.

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Annotation	Meaning
SEEN	To show a page/section has been seen/read.
NAQ	When the response is not focussed on answering the question.
REP	The repetition of a previous point in a response **or** candidate is copying the case study/data.
OFR	The own figure rule applies – acts as a mark/tick.
K	When AO1 has been awarded. Number of Ks should match the mark awarded.
APP	When AO2 has been awarded. Number of APPs should match the mark awarded.
AN	When AO3 at Level 1 has been awarded.
DEV	When AO3 at Level 2 has been awarded.
EVAL	When AO4 at Level 1 has been awarded.
E	When AO4 at Level 2 has been awarded.
EE	When AO4 at Level 3 has been awarded.

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Question	Answer	Marks
1(a)(i)	**Identify <u>one</u> limitation to a business of labour-intensive operations.** **Indicative content** • Absenteeism • Lateness • Different experience levels • Different skill levels • Need for holiday/time off/breaks • Reliability of people in contrast to machines • High labour/wage cost • Ongoing costs of labour (wages, salary, health care, training, induction etc.) • Inconsistent quality – human error • Labour relations problems • Potential shortage of skilled employees • Slower production Accept all valid responses.	**1**

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

Explain the term ‘quaternary sector of the economy’.

<table>
<tr><th>AO1 Knowledge and understanding
1 mark</th><th>AO2 Application
2 marks</th></tr>
<tr><td></td><td>2 marks
Developed application of one relevant point to a business context.</td></tr>
<tr><td>1 mark
Knowledge of one relevant point is used to answer the question.</td><td>1 mark
Limited application of one relevant point to a business context.</td></tr>
<tr><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

Responses may include:
AO1 Knowledge and understanding
Award one mark for recognising that the quaternary sector involves <u>information</u>, <u>knowledge</u> or <u>data</u> based economic activity.
No further marks can be gained without knowledge and understanding

AO2 Application
Award for describing a valid activity involved in the quaternary sector, including:

- Analysing
- Storing
- Developing
- Researching

</td><td>3</td></tr>
</table>

Question	Answer	Marks
1(a)(ii)	An <u>example</u> of a real-world instance, including a specific type of operation or specific example, such as: • <u>pharmaceutical</u> R&D • <u>software</u> development • <u>university</u> research • <u>market research</u> firms • <u>AI</u> data analytics Accept all valid responses.	

Exemplar and annotations	**Mar k**	**Rationale**
The sector that deals with information. And processing of that information for example a market research firm.	3	Clear identification of 'information', an activity (processing) and a real world instance (market research).
Businesses that analyse data such as universities.	3	All three elements
Where information is created through R&D.	2	AO1 and an activity (accept R&D)
Sector involving turning data into information such as using AI analytics.	2	AO1 and a real-world instance.
The knowledge based sector which involves the use of data and information.	1	REP of AO1, but no AO2
The sector involving research, development, computing and technology, such as AI and pharmaceutical companies.	0	No credit without AO1.

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Question	Answer	Marks
1(b)(i)	**Refer to Table 1.1. Calculate how much it would have cost a business to advertise with influencer A in January 2026 if 10% of influencer A's followers clicked on the advertisement.**	**3**

Answer	Guidance
Formula to find commission = 'sales'/clicks X price/cost OR 0.20 – price per click in April 2026 for A 0.7m – number of followers for A (1) (0.7m X10%) X \$0.20) =0.07m (1) X \$0.20 = \$0.014m or \$14 000 (1 OFR) **Answer = \$0.014m or \$14 000 (3)**	Award 3 marks for correct answer of 0.014m or 14 000 (with or without workings or \$)

Question	Answer	Marks
1(b)(i)	**Exemplar and annotations**	

Marks		
3 marks	Correct answer **$0.014m or $14 000**	**Working and $ does not matter**.
2 marks	Two of the following: • Correct formula • Correct identification of numbers (0.20 and 0.7m) • Correct calculation of 10% of followers (0.07m) **OR** An incorrect answer with one mistake allowing OFR for final stage.	To award two marks, there must be • Two ✓ and a ✗ **OR** • One ✓ , one ✗ and one OFR
1 mark	**One** of the following: • Correct formula • Correct identification of numbers (0.20 and 0.7) • Correct calculation of 10% of followers (0.07m)	To award one mark, there must be: • One ✓ and two ✗
0 marks	No creditable content.	To award zero marks, there must be • One ✗

Question	Answer	Marks
1(b)(ii)	**Explain one way IX adds value to its services.**	3

AO1 Knowledge and understanding 1 mark	AO2 Application 2 marks
	2 marks Developed application of **one** relevant point to a business context.
1 mark Knowledge of **one** relevant point is used to answer the question.	**1 mark** Limited application of **one** relevant point to a business context.
0 marks No creditable response.	**0 marks** No creditable response.

Knowledge	Knowledge of a way to add value	1 mark
Explanation	Explanation of a way to add value to add value to a service	1 mark
Context	Context linked to a way IX adds value to its services	1 mark

No marks can be awarded without knowledge.

Responses may include:

AO1 Knowledge and understanding
- Convenience
- Branding
- Quality
- Design
- USP
- Manufacturing

Question	Answer	Marks
1(b)(ii)	*No further marks can be gained without knowledge and understanding* *Note: Allow answers which refer to increasing added value (revenue-costs)* **AO2 Application** **Explanation of the way in which this may add value, may include:** • Convenience – customers may be willing to pay more if a service is easier to purchase. • Branding – customers may be willing to pay more for a well-known brand, than an unknown brand due to trust. • Quality – services which have higher quality are likely to be worth a higher price in a customer's eyes. • Design – the way a service is performed (for example the order of the process) may mean that customers are willing to pay more. • USP – if a customer cannot purchase the service anywhere else, then a customer may be willing to pay more. **Context may include:** • Kamal was a successful music artist • Kamal is a successful social media influencer • Kamal launched his own social media platform in 2020 • IX platform allows posts to be managed and published on other platforms • USP for IX is provides the influencers with better and more detailed data than any other platform. • IX is free to use for social media influencers. • IX uses dynamic pricing. • Table 1.1 • IX's operations are labour intensive – 30 employees, all managed by Kamal. • Eight technical employees • Kamal's management style is Theory X. Accept all valid responses.	

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

Analyse <u>one</u> advantage and <u>one</u> disadvantage to IX of using dynamic pricing.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
Knowledge of two relevant points is used to answer the question.
Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
Application of two relevant points to a business context.
Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

Dynamic pricing is a pricing method in which businesses set flexible prices for products or services based on demand. It usually entails raising prices during periods of peak demand and lowering prices during periods of low demand.

</td><td>8</td></tr>
</table>

Question	Answer	Marks
1(c)	Responses may include: **AO1 Knowledge and understanding** Advantages of dynamic pricing include: • Higher prices can be charged if demand increases • Increased flexibility • Price can be adjusted to the competition • Price can be adjusted to meet demand Disadvantages of dynamic pricing include: • May dissatisfy customers / may be seen as unfair • Customers can use dynamic pricing to pay less • May lead to a price war with a competitor • Increased complexity for staff and customers **AO2 Application** • USP for IX is provides the influencers with better and more detailed data than any other platform. • IX is free to use for social media influencers. • Customers are other businesses. • Table 1.1 100% ($0.20) increase in influencer A's price per click 17% ($0.05) decrease in influencer B's price per click No change in influencer C's price per click. • IX's operations are labour intensive – 30 employees, all managed by Kamal. • Table 1.2. 10 people work in the advertising sales department **AO3 Analysis** Advantages of dynamic pricing include: • Higher/maximise profit: allows IX to expand and take on larger competitors – higher dividends for Kamal. • Increased flexibility: price can be changed when necessary leading to a higher profit margin – more income for Kamal. • Price can be adjusted to the competition: in a competitive market, may allow business to drive competition out of the market – increasing IX's market share. • Price can be adjusted to meet demand: reduces consumer surplus – higher profit.	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(c)</td><td>
Disadvantages of dynamic pricing include:

May dissatisfy customers / may be seen as unfair: customers may discuss price they paid leading to a bad reputation for IX – fewer people visiting site/less advertising revenue.
Customers can use dynamic pricing to pay less: customers can track price changes and find optimal time to buy reducing revenue – reducing profit.
May lead to a price war with a competitor: competitors may use market share to drive IX out of market – liquidation.
Increased complexity for staff and customers: employees will need to be trained to manage prices – increased employment/training costs.

Accept all valid responses.

Exemplar and annotations
<table>
<tr><th>AO1 Knowledge</th><th>AO2 Application</th><th>AO3 Analysis</th></tr>
<tr><td>Price can be changed based on demand K,</td><td>For example, as influencer A’s followers increased by 0.2m, the price per click increased by $0.20 APP,</td><td>Which could lead to higher revenue for IX AN and increased profit DEV.</td></tr>
<tr><td>Customers might see the price change as unfair K.</td><td>For example, the increase in price of $0.20, for influencer A APP,</td><td>Leading to less customers choosing to advertise with influencer A AN and therefore decrease IX’s profit DEV.</td></tr>
</table>
</td><td></td></tr>
</table>

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

Evaluate whether laissez-faire is the most appropriate management style for IX.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

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

Question	Answer	Marks
1(d)	Responses may include: **AO1 Knowledge and understanding** Knowledge of laissez-faire management style (max 2 marks), including**;** Laissez-faire Takes a hands-off approach to leadership and gives others the freedom to make decisions. While leaders still provide their teams with the resources and tools they need to succeed, they remain largely uninvolved in the day-to-day work. Allow knowledge of other management styles (max 1 mark): Autocratic Where a manager makes decisions independently with little or no input from employees. Democratic Where a manager involves employees in decision-making. Paternalistic Where a manager makes decisions in what they believe to be the best interests of employees. *Without AO1 knowledge, no further marks can be awarded.* **AO2 Application** • Use of Table 1.2: 5 employees in marketing department paid using profit sharing 10 employees in advertising sales department paid on commission 8 employees in technical department on time based payment 7 employees in maintenance department on time based payment. • 30 employees at IX in total – all managed by Kamal. • IX is a labour intensive business • IX uses dynamic pricing • Use of Table 1.1	

Question	Answer	Marks
1(d)	**AO3 Analysis** Analysis of laissez-faire management style, including; • Faster decision making as it is being done by front line employees – likely to mean more efficient with lower costs. • Develops employees to work better/harder – increased efficiency. • Better use of expertise in the business – may lead to increased sales/profit. • Better motivated employees because they can control their work life which may increase productivity – increased added value/profit margin. • Decision may lack overview/ strategic management, leading to poor decision being made – increased costs. • Some employees may need more direction and be unable to manage themselves, leading to decreased productivity – lower added value/profit. • May lead to conflict if employees differ in opinion, leading to lower productivity – less sales revenue. **AO4 Evaluation** • A judgement whether laissez-faire is the most appropriate management style for IX. • What the management style may depend upon, such as; the level of ability of the employees, the tasks that need completing, the extent of price changes, Kamal's ability to change etc. • Whether the benefits of a different management style outweigh the costs of introducing a new style? • What impact will any change have on IX – will this affect future sales/brand image/motivation? • How are the employees likely to react to any change in management style? Accept all valid responses.	

Question	Answer	Marks
2(a)(i)	**Identify <u>one</u> feature of a partnership.** Responses may include: • Unlimited liability • Unincorporated • No separation between owners and business legal personality • May include a deed of partnership • Must have a minimum of 2 partners/owners • Equal profit sharing if no agreement • Lack of continuity (if partner dies). Accept all valid responses.	**1**

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

Explain the term ‘inventory’.

<table>
<tr><th>AO1 Knowledge and understanding
1 mark</th><th>AO2 Application
2 marks</th></tr>
<tr><td></td><td>2 marks
Developed application of one relevant point to a business context.</td></tr>
<tr><td>1 mark
Knowledge of one relevant point is used to answer the question.</td><td>1 mark
Limited application of one relevant point to a business context.</td></tr>
<tr><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

Indicative content
Responses may include:
AO1 Knowledge and understanding

- Inventory or stock refers to the goods and materials that a business holds to sell or use in production.

No further marks can be gained without knowledge and understanding

AO2 Application
A characteristic of inventory, such as;

- Raw materials, work in progress, finished goods
- The order/flow of production
- Required to ensure constant production
- Required to ensure customers can make purchases
- A current asset
- May become obsolete over time
- May affect the cashflow of the business – cash tied up in inventory
- Typically stored in a warehouse.

</td><td>3</td></tr>
</table>

Question	Answer	Marks
2(a)(ii)	Example of inventory, including examples of YV's inventory (medicine etc) Accept all valid responses.	

Exemplar and annotations	Mark	Rationale
Stock held by a business $\boxed{\text{K}}$. So that it can keep producing $\boxed{\text{APP}}$ such as medicine $\boxed{\text{APP}}$.	3	Knowledge, with a characteristic and an example suitable for a vet.
The raw materials/work in progress/finished goods $\boxed{\text{APP}}$ that a business hold for future use $\boxed{\text{K}}$ such steel for a car manufacturer $\boxed{\text{APP}}$.	3	A characteristic, followed by knowledge and an example – the example does not need to be for a vet as this is not a contextual question.
The goods and materials a business stores so that it can produce products and services $\boxed{\text{K}}$ such as animal food $\boxed{\text{APP}}$.	2	Knowledge and an example.
Everything that a business holds to make its products $\boxed{\text{K}}$ such as raw materials $\boxed{\text{APP}}$.	2	Knowledge and a characteristic – treat 'raw materials' as a characteristic, not an example.
Stock held by a business $\boxed{\text{K}}$.	1	Only knowledge – no characteristics or examples
Inventory is the raw materials, work in progress and finished products, such as the medicine used in YV.	0	No credit without AO1.

Question	Answer	Marks
2(b)(i)	**Refer to Figure 2.1. Calculate the combined market share of YV and AV vets in City P.**	3

Answer	Guidance
Formula $\frac{\text{Business revenue}}{\text{Total market revenue}} \times 100$ (1) 230 + 210 = 440 OR 230 + 210 + 200 + 160 = 800 (1) $\frac{440}{800} \times 100 = 55\%$ (1 – OFR) **Answer = 55%**	Award 3 marks for correct answer of 55% (with or without percentage sign).

Exemplar and annotations

Marks		
3 marks	Correct answer **55(%)**	**Working and % does not matter**.
2 marks	Both of the following: • Correct calculation of YV and AV combined market share (440) • Correct calculation of total market revenue (800) **OR** • An incorrect answer with one mistake allowing OFR for final stage. • An answer of 0.55 (with or without working)	To award two marks, there must be • Two ✓ and a ✗ **OR** • One ✓ , one ✗ and one OFR

Question	Answer	Marks
2(b)(i)		

Marks		
1 mark	One of the following: • Correct formula • Correct calculation of YV and AV combined market share (440) • Correct calculation of total market revenue (800)	To award one mark, there must be: • One ✓ and two ✗
0 marks	No creditable content.	To award zero marks, there must be • One ✗

Question	Answer	Marks
2(b)(ii)	**Explain <u>one</u> factor influencing the supply of vet services in city P.**	**3**

AO1 Knowledge and understanding **1 mark**	**AO2 Application** **2 marks**
	2 marks Developed application of **one** relevant point to a business context.
1 mark Knowledge of **one** relevant point is used to answer the question.	**1 mark** Limited application of **one** relevant point to a business context.
0 marks No creditable response.	**0 marks** No creditable response.

Knowledge	Knowledge of a factor influencing supply	1 mark
Explanation	Explanation of a factor influencing supply	1 mark
Context	Context linked to a factor influencing supply of vet services to city P.	1 mark

No marks can be awarded without knowledge.

Responses may include:
AO1 Knowledge and understanding
Knowledge of factors influencing supply, including:
- Price
- Costs of production
- Number of firms in market
- Investment in capital
- Alternative products
- Actions of competitors
- Related/joint supply

Question	Answer	Marks
2(b)(ii)	• Weather • Productivity (capital and labour) • Technology • Taxation and subsidies • Business objectives • Availability of factors of production *No further marks can be gained without knowledge and understanding* **AO2 Application** **Explanation may include:** • Price: as the price increases the business may choose to increase supply to gain more profit • Costs of production: as costs decrease more firms are likely to enter the market • Number of firms in market: more firms supplying, equals a greater quantity supplied • Investment in capital: may increase the capacity of the business and therefore supply • Alternative products: if another product has greater profitability, then a business may switch production, reducing supply • Actions of competitors: competitors may reduce prices to drive firms out of the market • Related supply: if the supply of raw materials decreases, then the supply will also decrease • Weather: good weather is likely to increase the supply of agricultural products • Productivity (capital and labour): can lead to an increase in capacity for the firm • Technology: automation may increase productivity, increasing supply • Taxation and subsidies: taxation is likely to increase business costs and decrease supply. Subsidies are likely to have the opposite effect. • Business objectives: if a firm is not seeking profit, then they may decide to continue supplying to the market, even if it is not profitable, or costs rise. **Context may include:** • YV is a partnership • YV is a veterinary practice (vets) – care of animals • Use of Table 2.1, cashflow forecast • Yvette considering a merger between YV and AV	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)(ii)</td><td>• AV is YV’s main competitor
• Use of Fig 2.1 (including YV revenue of $230 000, AB revenue of $210 000 and combined revenue of $440 000)
• Use of answer to Q2(b)(i) (OFR)

Accept all valid responses.</td><td></td></tr>
<tr><td>2(c)</td><td>Analyse <u>two</u> methods Yvette could use to improve YV’s cash flow.</td><td>8</td></tr>
</table>

Level	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 4 marks
2			**3–4 marks** **Developed analysis** • Developed analysis that identifies connections between causes, impacts and/or consequences of **two** points. • Developed analysis that identifies connections between causes, impacts and/or consequences of **one** point.
1	**1–2 marks** • Knowledge of **two** relevant points is used to answer the question. • Knowledge of **one** relevant point is used to answer the question.	**1–2 marks** • Application of **two** relevant points to a business context. • Application of **one** relevant point to a business context.	**1–2 marks** **Limited analysis** • Limited analysis that identifies connections between causes, impacts and/or consequences of **two** points. • Limited analysis that identifies connections between causes, impacts and/or consequences of **one** point.
0	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.

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Question	Answer	Marks
2(c)	Responses may include: **AO1 Knowledge and understanding** Knowledge of methods to improve cashflow, including: • Use/improve cashflow forecasting • Improve speed of payment • Increase cash sales • Delay payment • Use historical data • Use sales forecasting • Manage working capital (current assets and current liabilities) • Improve inventory management • Improve trade payables • Improve trade receivables • Debt factoring • Use sources of finance Overdraft Sale and leaseback Bank loan Trade credit **AO2 Application** • YV is a partnership • YV is a veterinary practice (vets) – care of animals • Use of Table 2.1, cashflow forecast • Yvette considering a merger between YV and AV • AV is YV's main competitor • Use of Figure 2.1 (including YV revenue of \$230 000, AV revenue of \$210 000 and combined revenue of \$440 000) • Use of answer to **Q2(b)(i)** (OFR) **AO3 Analysis** • Use/improve cashflow forecasting: cash flow forecasting over a longer period may help the business not to have a negative cashflow – however it may also lose accuracy over time, reducing the reliability of the data and decisions based on this.	

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

Delay payment: by delaying payment to suppliers, YV can get paid by their customers and increase their cashflow before having to pay for the inventory – however, customers may expect a discount for quick payment or go to another firm who offer better payment terms.
Use historical data: can improve the accuracy of a cashflow forecast, reducing the chances of a negative cashflow – however only an established business would be able to do this.
Use sales forecasting: which would allow YV to buy inventory matching their likely sales – however, an unexpected sale may not be possible.
Manage working capital (current assets and current liabilities): allow for money coming into the business to be greater than money leaving the business, improving cashflow – however, the customers may expect better credit terms and go elsewhere.
Improve inventory management: to avoid money tied up in inventory, which may increase costs – although cashflow may be improved, profitability may decrease.
Use sources of finance: allows YV to meet its current liabilities – however likely to increase costs and reduce profitability.
Discount prices – a quick method to turn stock into a liquid asset – however reduces profitability.

Accept all valid responses.
Exemplar and annotations
<table>
<tr><th>AO1 Knowledge</th><th>AO2 Application</th><th>AO3 Analysis</th></tr>
<tr><td>YV can encourage earlier payment $\boxed{\text{K}}$,</td><td>This will decrease the credit sales of $12 000 in March $\boxed{\text{APP}}$,</td><td>Leading to the majority of customers paying for their vet services when they occur, so YV do not need to use an overdraft which may have a high interest rate $\boxed{\text{AN}}$ and reduce profit $\boxed{\text{DEV}}$.</td></tr>
<tr><td>YV could delay payment $\boxed{\text{K}}$.</td><td>For example, the $12 000 inventory could be delivered in March, but not paid for until May $\boxed{\text{APP}}$,</td><td>Which would avoid YV having a negative closing balance and reduce bank fees $\boxed{\text{AN}}$ and therefore improve YV's profit $\boxed{\text{DEV}}$.</td></tr>
</table>
</td><td></td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(d)</td><td>
Evaluate the most likely impact of the proposed merger on <u>one</u> stakeholder of YV.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
</td><td>12</td></tr>
</table>

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Question	Answer	Marks
2(d)	Responses may include: **AO1 Knowledge and understanding** Knowledge of a stakeholder (max one mark), including: • Any person or group who has an interest in a business • Any internal stakeholder • Any external stakeholder Knowledge of a merger (max one mark), including: • Two businesses joining together • Form a new business entity • Usually not hostile, but with agreement from both parties • Usually businesses of similar size **AO2 Application** • YV is a partnership • YV is a veterinary practice (vets) – care of animals • Use of Table 2.1, cashflow forecast • Yvette considering a merger between YV and AV • AV is YV's main competitor • AV has a smaller market share • Use of Fig 2.1 (including YV revenue of \$230 000, AB revenue of \$210 000 and combined revenue of \$440 000) • Use of answer to **Q2(b)(i)** (OFR) **AO3 Analysis** Analysis of the likely effects of a merger, may include: • Less competition • Increased market share • Increased possibility of economies of scale • Increased possibility of diseconomies of scale • Loss of control of the business • Possibility of redundancies	

Question	Answer	Marks
2(d)	Analysis will depend on the stakeholder chosen: • Customers: less choice in the market may lead to higher prices – lower disposable income. • Partners/owners (including Yvette) of YV: less control over the business (may lose majority ownership) – may receive an increase in value of business • Owners of AV: less control over the business (may lose majority ownership) – may receive an increase in value of business • Competitors: Less quantity of competitors – however may face more price competition. • Lenders – may feel that a merged business has more security – more likely to lend. **AO4 Evaluation** • A judgement over the impact of the proposed merger on one stakeholder of YV. • What the judgement might depend upon – this will be dependent on the stakeholder chosen. • The judgement may also depend on the specific groups within the stakeholder group; for example, not all customers may have the same perspective. Not all owners may have the same perspective. Accept all valid responses.	

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