



Cambridge International AS & A Level

BUSINESS

9609/31

Paper 3 Business Decision-making

May/June 2023

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 May/June 2023 series for most Cambridge IGCSE, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

PUBLISHED**Generic Marking Principles**

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

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

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

GENERIC MARKING PRINCIPLE 2:

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

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

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

GENERIC MARKING PRINCIPLE 4:

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

PUBLISHED**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.

PUBLISHED**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.

Guidance on using levels-based marking

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The examiner should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:

- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range.
- If the candidate's work **just** meets the level statement, award the lowest mark.
- L1, L2 etc. must be clearly annotated on the response at the point where the level is achieved.

Assessment objectives**AO1 Knowledge and understanding**

Demonstrate knowledge and understanding of business concepts, terms and theories.

AO2 Application

Apply knowledge and understanding of business concepts, terms and theories to problems and issues in a variety of familiar and unfamiliar business situations and contexts.

AO3 Analysis

Analyse business problems, issues and situations by:

- using appropriate methods and techniques to make sense of qualitative and quantitative business information
- searching for causes, impact and consequences
- distinguishing between factual evidence and opinion or value judgement
- drawing valid inferences and making valid generalisations.

AO4 Evaluation

Evaluate evidence in order to make reasoned judgements, present substantiated conclusions and, where appropriate, make recommendations for action and implementation.

Annotations and their Use

Annotation	Use
✓	As an indication of relevant and rewardable content. Better to put these in the body of the answer.
NAQ	Used when the answer or parts of the answer are not answering the question asked.
BOD	Used when the benefit of the doubt is given in order to reward a response.
TV	Used when parts of the answer are considered to be too vague.
K	Indicates knowledge and understanding of the concepts and issues relating to the question.
APP	Indicates that there is specific application to the context of the question.
AN	Indicates where the answer has demonstrated analysis.
EVAL	Indicates where the answer has demonstrated evaluation.
REP	This indicates where content has been repeated.
SEEN	Indicates that content has been recognised but not rewarded.
L1, L2, L3	Indicates where the answer reaches the required standard.
1, 2, 3, 4, 5, 6	Indicates the number of K, APP, AN and EVAL marks awarded.

Question	Answer				Marks
1	Analyse <u>two</u> benefits to WP of using quality assurance.				8
	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.	
	Note: - Only reward benefits - If more than two benefits are referred to, reward the best two. All annotation (K APP AN L2) should be in the left margin.				

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Question	Answer	Marks
1	Indicative content Responses may include: AO1 Knowledge and understanding Definition of relevant terms (max K1) • Quality assurance: a system of agreeing and meeting quality standards at each stage of production. • Contrast to quality control which is checking based on inspection of the product or a sample of products. Knowledge of benefits (max K2) might include: • Quality standards assured • Satisfied customers • Motivated employees • Less waste • Greater competitiveness • Reduced costs • Problems identified during process • Need for final inspection reduced or removed • Easier to trace where faults occur • Employees have greater responsibility for making sure their work meets standards • Greater employee involvement in decision making AO2 Application <i>Limited application, [APP] applies knowledge to WP once.</i> <i>Developed application, [APP] + [APP] applies knowledge to WP twice.</i> <i>Max one [APP] for application for the first benefit and max one [APP] for application for the second benefit.</i> • WP uses wood as key material in production. • WP customers are retailers. • Employees are skilled and paid a combination of a wage plus piece rate. • Employees check their own work. • Toys are designed well and have excellent quality – USP. • Firm has grown rapidly.	

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Question	Answer	Marks
1	AO3 Analysis <i>Limited analysis</i> AN – candidate shows one link in the chain of analysis. <i>Developed analysis</i> L2AN – candidate shows two or more links in the chain of analysis. • (quality standards assured) faults with products will be identified ensuring that quality standards are met which will increase customer satisfaction AN and this will increase repeat custom resulting in higher sales. L2AN • (less waste) as employees are responsible for checking the wooden toys for faults APP there will be less waste of materials which will reduce costs AN resulting in an increase in profits. L2AN • (reduced costs) employee checking of quality will reduce costs and therefore enable WP to offer more competitive prices AN resulting in an increase in sales and therefore profit. L2AN • (motivation of employees) greater responsibility for quality may increase the motivation of employees which will lead to an increase in work effort and productivity AN and therefore increase output of wooden toys. L2AN • Problems identified in production so costs of correcting are lower • Reduced cost of final inspection so less or no quality inspectors need to be employed • Fault finding easier so future costs saved increasing production efficiency • Accountability for quality/errors is improved so production workers take more care and waste is reduced. • Greater employee motivation and feeling of being in a team so less conflict and more efficiency. Accept all valid responses.	

Question	Answer				Marks
2	Analyse <u>two</u> limitations to WP of its methods of internal communication.				8
	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.	
Note: - Only reward limitations. - If more than two limitations are referred to, reward the best two. All annotation (K APP AN L2) should be in the left margin.					

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Question	Answer	Marks
2	Indicative content Responses may include: AO1 Knowledge and understanding Definition of internal communication and/or possible methods and/or reasons for internal communication (max K1) • Internal communication is with employees and between managers or between departments. • Methods include: meetings, reports, notice boards, memos and email. • Reasons for internal communication – To tell employees what to do and what is expected. – To let employees have some input into business decision-making. – To allow coordination of activities within a business. – To give managers feedback from other employees. Limitations of internal communication used by WP (max K2) • One-way communication – messages sent in one direction, from sender to receiver, with no feedback. • Spoken communication can be ambiguous. • When communication is with a large group some receivers may be reluctant to ask for further detail. • Spoken communication might not be appropriate for complicated and technical matters. • Good ideas from employees are likely to be missed. • Written reports do not allow for immediate feedback. • Limited communication between functional departments. • Time taken in communicating information. AO2 Application Limited application, APP applies knowledge to WP once. Developed application, APP + APP applies knowledge to WP twice. Max one APP for application for the first benefit and max one APP for application for the second benefit. • Three managers give weekly written reports and meet with the owner. • The weekly meeting with employees is one-way, from the owner to the employees. • Little evidence of employees being able to influence decisions. • There are 35 employees. • Managers meet individually with Rona each week.	

Question	Answer	Marks
2	AO3 Analysis <i>Limited analysis</i> AN – candidate shows one link in the chain of analysis. <i>Developed analysis</i> L2AN – candidate shows two or more links in the chain of analysis. • (one-way communication) With one -way communication and limited opportunity for feedback employees may be demotivated AN and this will result in lower productivity L2AN which will reduce output. • (large group meetings) may result in limited feedback from employees which could mean that good ideas from employees are likely to be missed AN. This will result in opportunities for improving production to be missed and lower growth in productivity. L2AN • (communication between departments) Managers meet individually with Rona reducing opportunity for inter-departmental discussion. This will slow the sharing of information between managers thus limiting coordination of departments AN and thus reducing the effectiveness and efficiency of decisions L2AN • (time taken) Rona meets with managers individually which will waste time as she could meet with managers collectively. Individual meetings do not make an efficient use of her time AN and will slow decision making resulting in WP being less responsive. L2AN • (time taken) Rona has a weekly meeting with production employees. She could share this information more quickly using notices or email and this would free up her time to focus on more important issues facing WP. AN Accept all valid responses.	

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Question	Answer	Marks
3(a)	Using the data in Table 1.1, calculate the seasonal variation for 2022 Q2 (X). Indicative content Responses may include: SV = Revenue in Q2 – Trend = seasonal variation (1) OR 1.5 – 1.588 (1) = –0.088 OR –88 000 (2) 0.088 OR 88 000 (1) Accept all valid responses.	2
3(b)	Using the data in Table 1.1, calculate the forecast revenue for 2023 Q3 (Y). Indicative content Responses may include: Forecast revenue = forecast trend plus average seasonal variation for that quarter (1) OR 1.755m + (–0.25) (1) = 1.505 OR 1 505 000 (2) Accept all valid responses.	2

Question	Answer				Marks
3(c)	Evaluate the importance to WP's business planning of using sales forecasts based on time series analysis.				12
	Level	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 2 marks	AO4 Evaluation 6 marks
	3				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.
	2	2 marks Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.	2 marks Developed application of relevant point(s) to the business context.	2 marks Developed analysis that identifies connections between causes, impacts and/or consequences.	3–4 marks Developed evaluation - A developed judgement/conclusion is made. - Developed evaluative comments which balance some key arguments.
	1	1 mark Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.	1 mark Limited application of relevant point(s) to the business context.	1 mark Limited analysis that identifies connections between causes, impacts and/or consequences.	1–2 marks Limited evaluation - A judgement/conclusion is made with limited supporting comment/evidence. - An attempt is made to balance the arguments.
	0	0 marks No creditable response.	0 marks No creditable response.	0 marks No creditable response.	0 marks No creditable response.

Question	Answer	Marks
3(c)	Indicative content Responses may include: AO1 Knowledge and understanding <i>Limited knowledge [K] will be demonstrated through knowledge of business planning <u>or</u> knowledge of time series analysis.</i> <i>Developed knowledge [K] + [K] will be demonstrated through knowledge of business planning <u>and</u> knowledge of the time series analysis.</i> Knowledge of time series analysis • Components of forecasting using time series analysis (TSA): moving average, trend, seasonal variations, random events. Knowledge of business planning • Elements of business planning: financial forecasts, marketing mix, workforce planning and operations. AO2 Application <i>Limited application, [APP] applies knowledge to WP once.</i> <i>Developed application, [APP] + [APP] applies knowledge to WP twice.</i> • Highly seasonal nature of WP sales, sales are highest in Q1 and lowest in Q3. • Possible new product range of outdoor play equipment. • Skilled employees will take time to recruit and train. • No real competitor threat to impact sales trends. • Possible effects of new government policies will impact sales trends. AO3 Analysis <i>Limited analysis [AN] – candidate shows one link in the chain of analysis.</i> <i>Developed analysis [L2AN] – candidate shows two or more links in the chain of analysis.</i> • TSA is a quantitative technique and provides a more scientific approach to forecasting and is therefore useful when making decisions about how many employees are needed for production [AN] to ensure that future customer needs are met [L2AN]. • As skilled employees are used by WP it will take time to recruit and train employees so WP needs effective workforce planning otherwise WP will not be able to meet increasing demand [AN] and this will reduce future profits [L2AN].	

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Question	Answer	Marks
3(c)	- TSA takes account of seasonal variations and is therefore relevant for planning where there is a regular fluctuation in demand AN. - Sales prediction enables planning inventory holding which will delay cash outflows for purchasing inventory AN and therefore improve liquidity L2AN. AO4 Evaluation Limited evaluation 1 EVAL – limited supported judgement and/or a weak attempt at evaluative comment. Developed evaluation L2 EVAL – supported judgement and/or reasonable evaluative comment. Developed evaluation in context L3 EVAL – supported judgement in context and/or reasonable evaluative comment in context. - All forecasting may be inaccurate if external or internal environment changes. - TSA very important for forecasting sales for WP as sales vary seasonally. - TSA very important for planning production and inventory for WP to maximise efficiency on operations. - Must be able to accurately turn forecasts into resource planning. - Other forecasting methods more appropriate for other aspects of business planning e.g. - market research for new product range sales. - secondary research (reports) for possible effects of new government policies. - SWOT, blue ocean, for corporate planning. Accept all valid responses.	

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Question	Answer	Marks
4(a)	Refer to Table 1.2 and lines 41-66. Calculate the forecast return on capital employed (ROCE) for the year ending 31 May 2024. Indicative content Responses may include: ROCE = Profit from operations / Capital employed X 100 And/or Capital employed = issued shares + reserves + non-current liabilities (1) CE = 1 + 2 + 2 = 5 (2) ROCE = 0.2 / 1 + 2 + 2 X 100 (3) ROCE = 4% (4) OFR Alternatives 0.1 / 5 X 100 = 2% (3) [profit for the year rather than operating profit] For example 0.2 / 3 X 100 = 6.7% (3) [reserves not included in CE] 0.2 / 4 X 100 = 5% (3) [issued shares not included in CE]	4

Question	Answer				Marks
4(b)	Evaluate whether the financial information is sufficient for WP to decide if it should produce the new outdoor product range.				12
	Level	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 2 marks	AO4 Evaluation 6 marks
	3				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.
	2	2 marks Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.	2 marks Developed application of relevant point(s) to the business context.	2 marks Developed analysis that identifies connections between causes, impacts and/or consequences.	3–4 marks Developed evaluation - A developed judgement/conclusion is made. - Developed evaluative comments which balance some key arguments.
	1	1 mark Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.	1 mark Limited application of relevant point(s) to the business context.	1 mark Limited analysis that identifies connections between causes, impacts and/or consequences.	1–2 marks Limited evaluation - A judgement/conclusion is made with limited supporting comment/evidence. - An attempt is made to balance the arguments.
	0	0 marks No creditable response.	0 marks No creditable response.	0 marks No creditable response.	0 marks No creditable response.

Question	Answer	Marks
4(b)	Indicative content Responses may include: AO1 Knowledge and understanding <i>Limited knowledge K will be demonstrated through knowledge of relevant financial information <u>or</u> other factors in the decision.</i> <i>Developed knowledge K + K + will be demonstrated through knowledge of relevant financial information <u>and</u> other factors in the decision.</i> • Definition and/or explanation of terms used: share price, capital employed, current ratio, gearing ratio, elements of income statement, borrowing and reserves. • Market research methods and their advantages/disadvantages. • The new range in relation to business objectives and resources. • Forecasts are not certainties, there is always risk. • Borrowing and reserves. AO2 Application <i>Limited application APP applies knowledge to WP once.</i> <i>Developed application APP + APP applies knowledge to WP twice.</i> • Highly seasonal nature of WP sales. • Some market research indicates probability of success. • Use made of the data in the information. – Borrowing and existing cash is sufficient to finance project. – Forecast ROCE less than existing ROCE. – Gearing ratio rising (30% to 40%) – Profit forecast to decrease but still positive. – Dividends to shareholders forecast to decrease (\$0.15m to \$0.05m). • Link decision to impact of new government policies.	

Question	Answer	Marks
4(b)	AO3 Analysis <i>Limited analysis</i> AN - candidate shows one link in the chain of analysis. <i>Developed analysis</i> L2AN - candidate shows two or more links in the chain of analysis. - Financial data indicates that the project can be financed as it appears that WP has relatively low gearing APP and may therefore be able to borrow the money required AN. - The decrease in profit shown in the data suggests that in the short term the investment will not benefit WP as profit is a key business objective AN and this will reduce available finance for other future investments thus indicating that WP should reconsider the investment. L2AN - Investment appraisal is not included and this provides a measure of the return that the investment generated which is important profit is the primary objective of business. AN - The impact on employees of training required to use new machinery could have an impact on motivation (positive or negative) AN and therefore impact productivity and / or quality of existing output. L2AN - The impact on existing customers due to possible disruption to production as new machinery is introduced and workers are trained. AN AO4 Evaluation <i>Limited evaluation</i> EVAL - limited supported judgement and/or a weak attempt at evaluative comment. <i>Developed evaluation</i> L2EVAL - supported judgement and/or reasonable evaluative comment. <i>Developed evaluation in context</i> L3EVAL - supported judgement in context and/or reasonable evaluative comment in context. - Financial information is essential as it covers the important factors including financial position of WP. - If it can be shown the financial forecasts incorporate accurate market and cost information they are sufficient. - The information provides a useful starting point to explore in more detail what looks like a positive addition to the product portfolio. - Other information / factors are also essential. - Investment appraisal over a longer time period. - Information on workforce availability and skillsets would be important. - Information on how the new range fits into the product portfolio or wider strategic planning would be useful. - Entering a new market always entails some un-measurable risk. - Critical Path Analysis to help assess impact on existing production and customers. - Is there sufficient market research to establish that WP should enter the outdoor play equipment market?	

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Question	Answer	Marks
4(b)	• Sufficiency of financial information depends on: – To what extent would the other director/managers support the introduction of the new range? – To what extent have the forecasts taken account of the possible new government policies? – To what extent will Rona (the decision maker) rely on the Finance manager's information? – Financial information is based on assumptions that may not be accurate, especially as we are not given the source or detail of these. – It is very likely the financial forecasts will quickly become outdated as new government policies are implemented in the next six months. – The financial data refers to only one year. Forecast data on a longer timescale is also needed. – Will the decrease in profits be permanent? Accept all valid responses.	

Question	Answer				Marks
5	Evaluate the possible effects on WP if the new economic policy measures are implemented.				12
	Level	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 2 marks	AO4 Evaluation 6 marks
	3				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.
	2	2 marks Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.	2 marks Developed application of relevant point(s) to the business context.	2 marks Developed analysis that identifies connections between causes, impacts and/or consequences.	3–4 marks Developed evaluation - A developed judgement/conclusion is made. - Developed evaluative comments which balance some key arguments.
	1	1 mark Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.	1 mark Limited application of relevant point(s) to the business context.	1 mark Limited analysis that identifies connections between causes, impacts and/or consequences.	1–2 marks Limited evaluation - A judgement/conclusion is made with limited supporting comment/evidence. - An attempt is made to balance the arguments.
	0	0 marks No creditable response.	0 marks No creditable response.	0 marks No creditable response.	0 marks No creditable response.

Question	Answer	Marks
5	Indicative content Responses may include: AO1 Knowledge and understanding <i>Limited knowledge [K] will be demonstrated through knowledge of economic policy.</i> <i>Developed knowledge [K] + [K] + will be demonstrated through knowledge of economic policy <u>and</u> knowledge of link to impact on WP.</i> • Definition and/or explanation of the role of government in relation to economic policy. • Definition and/or explanation of the problems: inflation, skills shortages, government borrowing requirement. • Definition and/or explanation of policies: pay restrictions, income tax, monetary policy. • Possible effects of these policies in relation to the problems and/or their effects on economic variables. AO2 Application <i>Limited application, [APP] applies knowledge to WP once.</i> <i>Developed application, [APP] + [APP] applies knowledge to WP twice.</i> • Whether to introduce new product range of outdoor play equipment. • Seasonal nature of sales, with peak at end of 6 month new policies, introduction period. • Existing product ranges are indoor toys. • Current market position seems secure. • Employees are skilled, have training opportunities, are paid basic wage plus piece rates. • Good financial position as seen in extracts from accounting statements. AO3 Analysis <i>Limited analysis [AN] – candidate shows one link in the chain of analysis.</i> <i>Developed analysis [L2AN] – candidate shows two or more links in the chain of analysis.</i> Pay restrictions in the public sector may lead to workers searching for alternative work in the private sector and therefore WP may find it easier to recruit skilled workers [AN] reducing the cost of recruitment [L2AN].	

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Question	Answer	Marks
5	- WP already offers training to its workers and so will not be affected by the new tax proposed. This could increase WP's competitiveness as other toy manufacturers face increased tax and therefore have less profit for reinvestment. AN - An increase in interest rates will increase borrowing costs and therefore make any investment by WP less profitable AN. This could delay any expansion plans that WP has L2AN. - Increased income taxes will reduce household disposable income which could lead to a reduction in demand for WP's goods AN and therefore decrease sales and profits. L2AN AO4 Evaluation Limited evaluation EVAL – limited supported judgement and/or a weak attempt at evaluative comment. Developed evaluation L2EVAL – supported judgement and/or reasonable evaluative comment. Developed evaluation in context L3EVAL – supported judgement in context and/or reasonable evaluative comment in context. - Need to wait to find out precisely what the new policies will be before it is possible to assess their impact on WP. - Difficult to be certain of the impact and timescale of the effects of the changes, making it likely that spending decisions will be slower or postponed. - The policies will reduce consumer spending but to what extent will this affect spending on the products WP supply? Depends, for example, on income elasticity of demand (impact of increase in income tax) - Only public sector workers affected by pay restrictions, WP is in the private sector so its costs won't be directly affected. - WP already offers training opportunities so new tax on companies not offering training should not impact WP. - The time taken for effects of changes to operate is uncertain, making it difficult to make an immediate assessment of the likely impact on WP. Accept all valid responses.	