
BUSINESS

9609/22

Paper 2 Data Response

May/June 2017

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 will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the May/June 2017 series for most Cambridge IGCSE[®], Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

Question	Answer	Marks																										
1(a)(i)	<p data-bbox="316 241 1150 280">Define the term ‘long term sources of finance’ (lines 18–19).</p> <table border="1" data-bbox="316 315 1305 517"> <thead> <tr> <th data-bbox="316 315 1078 365">Knowledge and Application</th> <th data-bbox="1078 315 1305 365">Mark</th> </tr> </thead> <tbody> <tr> <td data-bbox="316 365 1078 414">A correct definition</td> <td data-bbox="1078 365 1305 414">2</td> </tr> <tr> <td data-bbox="316 414 1078 463">A partial, vague or unfocused definition</td> <td data-bbox="1078 414 1305 463">1</td> </tr> <tr> <td data-bbox="316 463 1078 517">No creditable content</td> <td data-bbox="1078 463 1305 517">0</td> </tr> </tbody> </table> <p data-bbox="316 551 914 584">A correct definition should cover the following:</p> <ul data-bbox="316 618 1289 786" style="list-style-type: none"> • Understanding of ‘source(s) of finance’ – any reference to where money/capital/cash etc. comes from i.e. reference to a source of finance, such as a mortgage or equity (i.e. shares, debentures) • Understanding of ‘long term’ – this can be reference to any time period more than a year <table border="1" data-bbox="316 819 1305 1491"> <thead> <tr> <th data-bbox="316 819 850 875">Exemplar</th> <th data-bbox="850 819 983 875">Mark</th> <th data-bbox="983 819 1305 875">Rationale</th> </tr> </thead> <tbody> <tr> <td data-bbox="316 875 850 958">When a business gets money from a bank for more than a year</td> <td data-bbox="850 875 983 958">2</td> <td data-bbox="983 875 1305 958">Both elements covered</td> </tr> <tr> <td data-bbox="316 958 850 1041">Finance for more than a year, e.g. Mortgage</td> <td data-bbox="850 958 983 1041">2</td> <td data-bbox="983 958 1305 1041">Both elements covered</td> </tr> <tr> <td data-bbox="316 1041 850 1193">Money that the business gets from a bank that does not need to be paid back quickly</td> <td data-bbox="850 1041 983 1193">1</td> <td data-bbox="983 1041 1305 1193">Understanding of source of finance but too vague about long term</td> </tr> <tr> <td data-bbox="316 1193 850 1379">A way to get new cash into the business that does not have to be paid back for a long time</td> <td data-bbox="850 1193 983 1379">1</td> <td data-bbox="983 1193 1305 1379">An understanding of source of finance but ‘long time’ is too vague and partly tautological.</td> </tr> <tr> <td data-bbox="316 1379 850 1491">A long term source of finance is a source of finance that does not have to be paid back for a long time.</td> <td data-bbox="850 1379 983 1491">0</td> <td data-bbox="983 1379 1305 1491">Tautological, showing no understanding.</td> </tr> </tbody> </table>	Knowledge and Application	Mark	A correct definition	2	A partial, vague or unfocused definition	1	No creditable content	0	Exemplar	Mark	Rationale	When a business gets money from a bank for more than a year	2	Both elements covered	Finance for more than a year, e.g. Mortgage	2	Both elements covered	Money that the business gets from a bank that does not need to be paid back quickly	1	Understanding of source of finance but too vague about long term	A way to get new cash into the business that does not have to be paid back for a long time	1	An understanding of source of finance but ‘long time’ is too vague and partly tautological.	A long term source of finance is a source of finance that does not have to be paid back for a long time.	0	Tautological, showing no understanding.	2
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1(a)(ii)	<p>Briefly explain the term ‘diversity and equality’ (line 14).</p> <p>Award one mark for each point of explanation:</p> <table border="1" data-bbox="319 383 1307 734"> <tbody> <tr> <td data-bbox="319 383 395 533">C</td> <td data-bbox="395 383 1155 533">Example or some other way of showing good understanding, i.e. A development of an example used in B, link to motivation, link to culture, legal requirements etc.</td> <td data-bbox="1155 383 1307 533">1 mark</td> </tr> <tr> <td data-bbox="319 533 395 618">B</td> <td data-bbox="395 533 1155 618">Understanding of diversity – different groups of employees, or an example of different groups</td> <td data-bbox="1155 533 1307 618">1 mark</td> </tr> <tr> <td data-bbox="319 618 395 734">A</td> <td data-bbox="395 618 1155 734">Understanding of equality – no discrimination in the workplace – do not just reward ‘are equal’ there must be some understanding of treating people equally</td> <td data-bbox="1155 618 1307 734">1 mark</td> </tr> </tbody> </table> <p>No discrimination in the workplace, for example, against different groups of employees. Can be used to develop a reputation as a good employer. Helps attracts and keep employees.</p> <table border="1" data-bbox="319 904 1307 1505"> <thead> <tr> <th data-bbox="319 904 852 954">Exemplar</th> <th data-bbox="852 904 986 954">Mark</th> <th data-bbox="986 904 1307 954">Rationale</th> </tr> </thead> <tbody> <tr> <td data-bbox="319 954 852 1104">Getting rid of discrimination between different groups of worker, and treating them equally which is a legal requirement</td> <td data-bbox="852 954 986 1104">3</td> <td data-bbox="986 954 1307 1104">All three elements</td> </tr> <tr> <td data-bbox="319 1104 852 1290">Treating all workers the same way no matter what differences they might have, such as men and women should be paid equally if they do the same job</td> <td data-bbox="852 1104 986 1290">3</td> <td data-bbox="986 1104 1307 1290">All three elements</td> </tr> <tr> <td data-bbox="319 1290 852 1406">Giving employees equal rights for different people, such as different races</td> <td data-bbox="852 1290 986 1406">2</td> <td data-bbox="986 1290 1307 1406">A and B mark</td> </tr> <tr> <td data-bbox="319 1406 852 1456">Equal rights for different races</td> <td data-bbox="852 1406 986 1456">1</td> <td data-bbox="986 1406 1307 1456">B mark only</td> </tr> <tr> <td data-bbox="319 1456 852 1505">Everybody has the same treatment</td> <td data-bbox="852 1456 986 1505">1</td> <td data-bbox="986 1456 1307 1505">A mark only</td> </tr> </tbody> </table>	C	Example or some other way of showing good understanding, i.e. A development of an example used in B, link to motivation, link to culture, legal requirements etc.	1 mark	B	Understanding of diversity – different groups of employees, or an example of different groups	1 mark	A	Understanding of equality – no discrimination in the workplace – do not just reward ‘are equal’ there must be some understanding of treating people equally	1 mark	Exemplar	Mark	Rationale	Getting rid of discrimination between different groups of worker, and treating them equally which is a legal requirement	3	All three elements	Treating all workers the same way no matter what differences they might have, such as men and women should be paid equally if they do the same job	3	All three elements	Giving employees equal rights for different people, such as different races	2	A and B mark	Equal rights for different races	1	B mark only	Everybody has the same treatment	1	A mark only	3
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1(c)	Analyse <u>two</u> factors Paul should consider when selecting a restaurant manager.				8	
Level		Knowledge and application		Analysis		
2		Shows understanding of TWO factors of selection in context	4	Good analysis of TWO factors of selection in context		4
		Shows understanding of ONE factor of selection in context	3	Good analysis of ONE factor of selection in context		3
1		Shows understanding of TWO factors of selection	2	Limited analysis of TWO factors of selection		2
		Shows understanding of ONE factor of selection	1	Limited analysis of ONE factor of selection		1
0		No creditable content				
<p><i>Highlight the factors as you mark</i> <i>One factor analysed in context, max 3+3</i></p>						
<p>Contextual analysis likely to come from:</p>						
<ul style="list-style-type: none"> • Need to have customer service experience; marketing skills, communication etc. • Will be in charge of other employees; management skills • Will require skills in inventory management • New business so may need to be willing to work on lower salary 						

Question	Answer			Marks
	Examples of factors of selection	Examples of application/context	Examples of possible analysis	
	Qualifications	Any relevant restaurant management qualifications, customer service qualifications, inventory management etc... Diversity and equality	Better qualified manager → improved customer service → more sales → more profit	
	Location	Local town in country A – will need to live here or can relocate.	Lives near restaurant → more likely to be on time to work → better staff management	
	Skills	Customer service, supervising employees, inventory management.	Good inventory management → less wastage in the restaurant → lower costs → increased profit	
	Experience	In other (pizza) restaurants, one of the competitors, other PP restaurants. Experience in customer service, supervising employees, inventory management.	Worked in another PP restaurant → knows the procedures → less training needed → lower costs → increased profit	
	Cost			

Question	Answer				Marks	
1(d)	Evaluate whether Paul should enter into a franchise agreement with PP.				11	
Knowledge and Application (4 marks)		Mark	Analysis and Evaluation (7 marks)			Mark
			Justified evaluation based on arguments in context			7
			Developed evaluation based on arguments in context			6
			An evaluative statement based on arguments in context			5
Shows understanding of PP entering into a franchise agreement		3–4	Argument (two sided) based on the impact(s) of Paul entering into a franchise agreement with PP			4
			Argument (one sided) based on the impact(s) of Paul entering into a franchise agreement with PP			3
Shows knowledge of franchises		1–2	Limited analysis of TWO impacts of entering into a franchise agreement			2
			Limited analysis of ONE impact of entering into a franchise agreement			1
No creditable content						
<i>Impacts can be positive or negative – a balanced argument will cover both positive and negative impacts.</i>						
Annotate analysis and arguments FOR in the left hand margin and AGAINST in the right hand margin						

Question	Answer	Marks
	<p>Context/content: Advantages</p> <ul style="list-style-type: none"> • less risk to Paul as he benefits from the expertise and reputation of PP brand • Assistance from PP so Paul makes less mistakes in his business-decisions such as the policies for diversity and equality; • Access to local marketing and the PP website will help generate sales; <p>Disadvantages</p> <ul style="list-style-type: none"> • Up-front costs to purchase the franchise (\$40 000); • The royalty fee of 5% may be a drain on his cash flow • Clash of ideas as Paul will have to follow the criteria set out in his franchise agreement – this may limit his freedom to make decisions. <p>Evaluation is likely to come from a candidate:</p> <ol style="list-style-type: none"> 1. Judging whether the advantages outweigh the disadvantages 2. Weighting their response, for example, “this is the main advantage because” is likely to lead an evaluative response. 	

Question	Answer				Marks
An example of how an answer could develop and how it should be annotated.					
K	APP	AN	ANAN (one sided)	EVAL	
It is expensive to set up a franchise. (K)	An independent restaurant would cost \$25 000 whereas a PP franchise is \$40 000. (APP)	Which increases the costs of starting up a restaurant to Paul. (AN)	Which increases the costs of starting up a restaurant to Paul and may make it harder to break even or survive in his first year of trading. (ANAN – one sided)	Overall Paul should enter into a franchise agreement because the extra sales are likely to cover the extra costs. (EVAL – statement)	
	National above the line promotion will be provided within the setup cost. (APP)	Which is likely to increase sales in the first year. (AN)	However the reputation of PP may gain more sales in the first year making it more likely that he would break even and survive. (ANAN – two sided)	However he should do some market research to see just how much more the sales would be in a PP franchise. (EVAL – developed) If the extra sales did not cover the extra costs then he would probably be better opening the independent restaurant. (EVAL – justified)	

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2(a)(i)	<p>Define the term 'batch production' (line 3).</p> <table border="1" data-bbox="319 315 1307 517"> <thead> <tr> <th data-bbox="319 315 1078 365">Knowledge and Application</th> <th data-bbox="1078 315 1307 365">Mark</th> </tr> </thead> <tbody> <tr> <td data-bbox="319 365 1078 414">A correct definition</td> <td data-bbox="1078 365 1307 414">2</td> </tr> <tr> <td data-bbox="319 414 1078 463">A partial, vague or unfocused definition</td> <td data-bbox="1078 414 1307 463">1</td> </tr> <tr> <td data-bbox="319 463 1078 517">No creditable content</td> <td data-bbox="1078 463 1307 517">0</td> </tr> </tbody> </table> <ul data-bbox="319 555 1283 622" style="list-style-type: none"> • Separate groups/set amount/limited number – do not accept batch • Go through production process together before moving on to the next <p data-bbox="319 658 1257 790">Batch production is where quantities of identical goods are produced in small groups. They go through the production process at the same time. Production is then switched over to allow another batch to be produced. Example(s) not required.</p> <table border="1" data-bbox="319 824 1307 1391"> <thead> <tr> <th data-bbox="319 824 852 873">Exemplar</th> <th data-bbox="852 824 984 873">Mark</th> <th data-bbox="984 824 1307 873">Rationale</th> </tr> </thead> <tbody> <tr> <td data-bbox="319 873 852 1025">Batch production is where quantities of identical goods are produced together and then move on to the next process</td> <td data-bbox="852 873 984 1025">2</td> <td data-bbox="984 873 1307 1025">A correct definition</td> </tr> <tr> <td data-bbox="319 1025 852 1144">A group of products go from one stage of production to the next together</td> <td data-bbox="852 1025 984 1144">2</td> <td data-bbox="984 1025 1307 1144">Both elements covered</td> </tr> <tr> <td data-bbox="319 1144 852 1227">When products are made in small quantities</td> <td data-bbox="852 1144 984 1227">1</td> <td data-bbox="984 1144 1307 1227">Partial definition</td> </tr> <tr> <td data-bbox="319 1227 852 1310">Products made one a time</td> <td data-bbox="852 1227 984 1310">0</td> <td data-bbox="984 1227 1307 1310">Confusion with job production</td> </tr> <tr> <td data-bbox="319 1310 852 1391">Products made continuously and are all the same</td> <td data-bbox="852 1310 984 1391">0</td> <td data-bbox="984 1310 1307 1391">Confusion with flow/mass production</td> </tr> </tbody> </table>	Knowledge and Application	Mark	A correct definition	2	A partial, vague or unfocused definition	1	No creditable content	0	Exemplar	Mark	Rationale	Batch production is where quantities of identical goods are produced together and then move on to the next process	2	A correct definition	A group of products go from one stage of production to the next together	2	Both elements covered	When products are made in small quantities	1	Partial definition	Products made one a time	0	Confusion with job production	Products made continuously and are all the same	0	Confusion with flow/mass production	2
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2(a)(ii)	<p>Briefly explain the term ‘co-operative’ (line 1).</p> <p>Award one mark for each point of explanation:</p> <table border="1" data-bbox="317 383 1305 813"> <tbody> <tr> <td data-bbox="317 383 395 533">C</td> <td data-bbox="395 383 1155 533">Example or some other way of showing good understanding, i.e. bulk buying, common in agriculture, motivational, slow decision making, development of a point used in B etc.</td> <td data-bbox="1155 383 1305 533">1 mark</td> </tr> <tr> <td data-bbox="317 533 395 763">B</td> <td data-bbox="395 533 1155 763"> <ul style="list-style-type: none"> • Responsibilities are shared • Owners may contribute to the running of the business • Shared decision making • All members have one vote • Profits are shared </td> <td data-bbox="1155 533 1305 763">1 mark</td> </tr> <tr> <td data-bbox="317 763 395 813">A</td> <td data-bbox="395 763 1155 813"> <ul style="list-style-type: none"> • Owned/financed by workers/customers/members </td> <td data-bbox="1155 763 1305 813">1 mark</td> </tr> </tbody> </table> <p>A co-operative is a business structure where the workers are the owners. The profits are shared with workers. Workers (owner) do not have to run the business, they will vote for Directors. In smaller co-operatives such as worker co-operatives then workers may also run the business.</p> <table border="1" data-bbox="317 1016 1305 1753"> <thead> <tr> <th data-bbox="317 1016 852 1066">Exemplar</th> <th data-bbox="852 1016 983 1066">Mark</th> <th data-bbox="983 1016 1305 1066">Rationale</th> </tr> </thead> <tbody> <tr> <td data-bbox="317 1066 852 1249">Members (A) own a co-operative and share the running (B) of the business. QL is a worker co-operative which mean the workers are the members (C).</td> <td data-bbox="852 1066 983 1249">3</td> <td data-bbox="983 1066 1305 1249">A, B and C</td> </tr> <tr> <td data-bbox="317 1249 852 1433">A co-operative can be owned by customers or workers (A) who will each have a vote (B). Because they own it, they are motivated for it to do well (C).</td> <td data-bbox="852 1249 983 1433">3</td> <td data-bbox="983 1249 1305 1433">A, B and C</td> </tr> <tr> <td data-bbox="317 1433 852 1518">A co-operative has shared profit (A) and responsibilities (B)</td> <td data-bbox="852 1433 983 1518">2</td> <td data-bbox="983 1433 1305 1518">A and B</td> </tr> <tr> <td data-bbox="317 1518 852 1603">Members (A) who join together to benefit from bulk buying (C)</td> <td data-bbox="852 1518 983 1603">2</td> <td data-bbox="983 1518 1305 1603">A and C</td> </tr> <tr> <td data-bbox="317 1603 852 1753">A co-operative is made up of people who share the responsibilities of the business (B). Each person has a vote and the decision making is shared.</td> <td data-bbox="852 1603 983 1753">1</td> <td data-bbox="983 1603 1305 1753">Three points but all from B, so only one mark.</td> </tr> </tbody> </table>	C	Example or some other way of showing good understanding, i.e. bulk buying, common in agriculture, motivational, slow decision making, development of a point used in B etc.	1 mark	B	<ul style="list-style-type: none"> • Responsibilities are shared • Owners may contribute to the running of the business • Shared decision making • All members have one vote • Profits are shared 	1 mark	A	<ul style="list-style-type: none"> • Owned/financed by workers/customers/members 	1 mark	Exemplar	Mark	Rationale	Members (A) own a co-operative and share the running (B) of the business. QL is a worker co-operative which mean the workers are the members (C).	3	A, B and C	A co-operative can be owned by customers or workers (A) who will each have a vote (B). Because they own it, they are motivated for it to do well (C).	3	A, B and C	A co-operative has shared profit (A) and responsibilities (B)	2	A and B	Members (A) who join together to benefit from bulk buying (C)	2	A and C	A co-operative is made up of people who share the responsibilities of the business (B). Each person has a vote and the decision making is shared.	1	Three points but all from B, so only one mark.	3
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2(b)(i)	<p data-bbox="316 248 1150 282">Refer to Table 1. Calculate the gross profit margin for 2016.</p> <table border="1" data-bbox="316 315 1294 600"> <thead> <tr> <th data-bbox="316 315 432 365">Mark</th> <th data-bbox="432 315 1294 365">Rationale</th> </tr> </thead> <tbody> <tr> <td data-bbox="316 365 432 450">3</td> <td data-bbox="432 365 1294 450">Correct calculation of gross profit margin (with or without working or %)</td> </tr> <tr> <td data-bbox="316 450 432 499">2</td> <td data-bbox="432 450 1294 499">Correct formula and correct calculation* of gross profit</td> </tr> <tr> <td data-bbox="316 499 432 548">1</td> <td data-bbox="432 499 1294 548">Correct formula or correct calculation* of gross profit</td> </tr> <tr> <td data-bbox="316 548 432 600">0</td> <td data-bbox="432 548 1294 600">No creditable content</td> </tr> </tbody> </table> <p data-bbox="316 600 1066 633"><i>Formula can be implied through the correct use of figures</i></p> <p data-bbox="316 633 855 667"><i>*working required or explicit identification</i></p> $\frac{\text{Gross profit}}{\text{Revenue}} \times 100$ $= 240 - 80 = 160$ $= \frac{160}{240} \times 100 = 66.67\% \text{ (accept 66.7\% and 67\%)}$ <ul data-bbox="371 958 1257 1167" style="list-style-type: none"> • Allow an answer of 66% or 66.6% or 66.66% as a TWO mark answer with or without working as the candidate has made one mistake in not rounding correctly. • Also allow an answer of 0.67 as a TWO mark answer with or without working as the candidate has made one mistake by not calculating a percentage <p data-bbox="316 1193 1166 1261">Allow full marks for a correct answer with or without working or % 67% or 66.7% or 66.67%</p>	Mark	Rationale	3	Correct calculation of gross profit margin (with or without working or %)	2	Correct formula and correct calculation* of gross profit	1	Correct formula or correct calculation* of gross profit	0	No creditable content	3
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Question	Answer			Marks
	Common incorrect answers			
	Answer	Mark	Rationale	
	GP=160	1	Explicit identification of gross profit	
	\$160	0	We have to assume this is an answer to the question and with no working, this is incorrect and therefore no marks	
	66%	2	Correct formula (implied) and correct (explicit) calculation of gross profit but the calculation of the GP margin is incorrect (with or without working)	
	0.67	2	Allow with or without working	
	$240 - 80 - 20 = 140$ $\frac{140}{240} \times 100 = 58.33\%$	2	Formula mixed up with net profit margin, so wrong formula, but correct calculations based on this wrong formula	
	58.33%	0	A wrong answer with no working	
	$\frac{90}{150} \times 100 = 60\%$	2	Formula is correct (implied) but 2014 figures have been used correctly OFR	
	$\frac{115}{180} \times 100 = 63.89\%$	2	Formula is correct (implied) but 2015 figures have been used correctly OFR	

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2(b)(ii)	<p data-bbox="316 241 943 280">Explain the importance of profitability to QL.</p> <table border="1" data-bbox="320 315 1310 600"> <thead> <tr> <th data-bbox="320 315 512 365">Level</th> <th data-bbox="512 315 1177 365">Knowledge and Application</th> <th data-bbox="1177 315 1310 365">Mark</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 365 512 450">2 (APP)</td> <td data-bbox="512 365 1177 450">Explanation an importance of profitability in context</td> <td data-bbox="1177 365 1310 450">3</td> </tr> <tr> <td data-bbox="320 450 512 499">1b (KK)</td> <td data-bbox="512 450 1177 499">Explain an importance of profitability</td> <td data-bbox="1177 450 1310 499">2</td> </tr> <tr> <td data-bbox="320 499 512 548">1a (K)</td> <td data-bbox="512 499 1177 548">Identify an importance of profitability</td> <td data-bbox="1177 499 1310 548">1</td> </tr> <tr> <td data-bbox="320 548 512 600">0</td> <td data-bbox="512 548 1177 600">No creditable content</td> <td data-bbox="1177 548 1310 600">0</td> </tr> </tbody> </table> <p data-bbox="316 633 1254 734">Profitability is the margin between cost per unit and selling price (or the margin between total revenue and total cost). This is in contrast to profit which is the amount (i.e. not margin) made.</p> <p data-bbox="316 768 1182 835">Candidates do not need to show their knowledge of either profit or profitability. They need to explain an IMPORTANCE of profitability.</p> <p data-bbox="316 869 874 902">Context and content is likely to come from:</p> <ul data-bbox="316 936 1214 1037" style="list-style-type: none"> • Profits pay owner/workers income, so profitability is essential • As QL expands into Option A or Option B it will need to maintain profitability <table border="1" data-bbox="316 1070 1305 1794"> <thead> <tr> <th data-bbox="316 1070 735 1122">Importance (K)</th> <th data-bbox="735 1070 1305 1122">Possible context (APP)</th> </tr> </thead> <tbody> <tr> <td data-bbox="316 1122 735 1346">The achieve the objectives of the business</td> <td data-bbox="735 1122 1305 1346">In QL the gross profitability is improving (60% in 2014, 63.89% in 2015 and 66.67% in 2016 OFR) Net profit has also been improving (50% in 2014, 55.56% in 2015 and 58.33% in 2016)</td> </tr> <tr> <td data-bbox="316 1346 735 1424">To avoid business failure</td> <td data-bbox="735 1346 1305 1424">QL has made a profit in each of the last three years</td> </tr> <tr> <td data-bbox="316 1424 735 1503">To fund business growth/expansion</td> <td data-bbox="735 1424 1305 1503">QL needs the profits/profitability to fund the expansion into Option A or Option B</td> </tr> <tr> <td data-bbox="316 1503 735 1626">To reward owners</td> <td data-bbox="735 1503 1305 1626">Owners are the ten owner-workers who make up the co-operative – without pay they are likely to sell the business</td> </tr> <tr> <td data-bbox="316 1626 735 1704">To make a profit</td> <td data-bbox="735 1626 1305 1704">The owner/workers will derive their income form QL</td> </tr> <tr> <td data-bbox="316 1704 735 1794">To assess business performance</td> <td data-bbox="735 1704 1305 1794">QL could benchmark themselves against similar bag producing business</td> </tr> </tbody> </table>	Level	Knowledge and Application	Mark	2 (APP)	Explanation an importance of profitability in context	3	1b (KK)	Explain an importance of profitability	2	1a (K)	Identify an importance of profitability	1	0	No creditable content	0	Importance (K)	Possible context (APP)	The achieve the objectives of the business	In QL the gross profitability is improving (60% in 2014, 63.89% in 2015 and 66.67% in 2016 OFR) Net profit has also been improving (50% in 2014, 55.56% in 2015 and 58.33% in 2016)	To avoid business failure	QL has made a profit in each of the last three years	To fund business growth/expansion	QL needs the profits/profitability to fund the expansion into Option A or Option B	To reward owners	Owners are the ten owner-workers who make up the co-operative – without pay they are likely to sell the business	To make a profit	The owner/workers will derive their income form QL	To assess business performance	QL could benchmark themselves against similar bag producing business	3
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Question	Answer				Marks		
2(c)	Analyse <u>one</u> advantage and <u>one</u> disadvantage to the other owner-workers of Iqbal’s leadership style.				8		
Level		Knowledge and application		Analysis			
2		Shows understanding of democratic leadership in context		3–4 Good analysis of one advantage and one disadvantage of democratic leadership in context		4	
				Good analysis of one advantage or one disadvantage of democratic leadership in context		3	
1		Shows knowledge of leadership styles		1–2 Limited analysis of one advantage and one disadvantage of leadership style		2	
				Limited analysis of one advantage or one disadvantage of leadership styles		1	
0		No creditable content					
<i>Leadership styles outlined in the specification are:</i>							
<i>Autocratic, democratic, laissez-faire, Theory X and Theory Y (McGregor)</i>							
Annotate advantages in the left hand margin and disadvantages in the right hand margin							
Content (K) is likely to come from:							
Advantages:							
<ul style="list-style-type: none"> • More ideas taken into account • Better communication • Improved motivation • Shared objectives/vision • Reduced employee turnover 							
Disadvantages:							
<ul style="list-style-type: none"> • Decisions may be discussed but the leader still makes the decisions – could demotivate • Time wasted in discussion • Employees may not have the ‘full picture’ 							

Question	Answer			Marks
	Examples of features of democratic leadership	Examples of application/context	Examples of possible analysis	
	More ideas – advantage	The other nine owner/workers can add their ideas	Better decisions → revenue to continue to increase → profits for the owner/workers to continue to increase	
	Better motivation – advantage	More efficient production of bags, cases and wallets	Lower cost of production → less cost of sales → higher gross profit → more return for the owner workers	
	Wasted time in discussion – disadvantage	Less time for production of bags, cases and wallets	Increased cost of production → higher cost of sales → lower gross profit → less return for the owner workers	
	Poor decision making	Other owner/workers may not understand the data about the two options for expansion.	Choose wrong option → Expansion does not increase value of QL → profits for the owner/workers reduce	
	ARA			

Question	Answer				Marks	
2(d)	Recommend which option QL should choose for expansion. Justify your choice.				11	
Knowledge and Application (4 marks)		Mark	Analysis and Evaluation (7 marks)			Mark
			A justified recommendation for QL on which option it should choose for expansion based on the given argument(s) of Option A and Option B			7
			A developed recommendation for QL on which option it should choose for expansion based on the given argument(s) of Option A and Option B			6
			An evaluative statement/recommendation based on the given argument(s) of Option A and Option B			5
Shows understanding of Option A and Option B for expansion		4	Argument(s) based on Option A and Option B for expansion			4
Shows understanding of Option A or Option B for expansion		3	Argument(s) based on Option A or Option B for expansion			3
Shows knowledge of expansion		1–2	Limited analysis of Option A and Option B for expansion			2
			Limited analysis of Option A or Option B for expansion			1
To access evaluation candidates must have shown understanding of Option A and Option B with two pieces of argument (ANAN)						

Question	Answer	Marks
	<p>Context/content:</p> <p>High priced leather shoes</p> <ul style="list-style-type: none"> • Larger market value • Branding is important and QL has an established brand • High prices could be charged due to price inelasticity • Competition is high, but brand could overcome this • Cost of new machinery • New distribution channels; do QL have any experience of this – cost? <p>Low priced leather belts</p> <ul style="list-style-type: none"> • Lower market value • Quality is important and QL have experience in leather market • Could use price competition due to price elastic response • Lower level of competition • Could be made on current machinery if there is capacity • Can use current distribution channels – cheaper option? 	

Question	Answer				Marks
An example of how an answer could develop and how it should be annotated.					
<p style="text-align: center;">K</p> <p>Expansion is when a business grows, for example by selling a new product range.. (K)</p>	APP	AN	ANAN (one sided)	<p>Overall QL is more likely to be interested in having a small share of a large market, so should choose Option A. (EVAL – statement)</p> <p>However it depends upon how high the level of competition is and how much QL would need to spend on the marketing to establish themselves in the shoe market. (EVAL – developed)</p> <p>As long as the potential revenue outweighs the costs of Option A then the larger market will allow much more growth than Option B and is therefore the better option. (EVAL – justified)</p>	
	<p>Option A would allow QL to expand into a market with a value of \$2m. This is bigger than the market for Option B. (APP)</p> <p>However Option B only has a medium level of competition as opposed to a high level for Option A. (APP)</p>	<p>A bigger market may lead to more sales for QL. (AN)</p> <p>Less competition is likely to mean that QL will find it easier to establish their brand in the market. (AN)</p>	<p>Which is likely to lead to a more successful expansion and more profit for the owner/workers. (ANAN – Option A)</p> <p>Which is likely to lead to a higher chance of success in the Low priced leather belt market and more sales and profit over time. (ANAN – Option B)</p>		