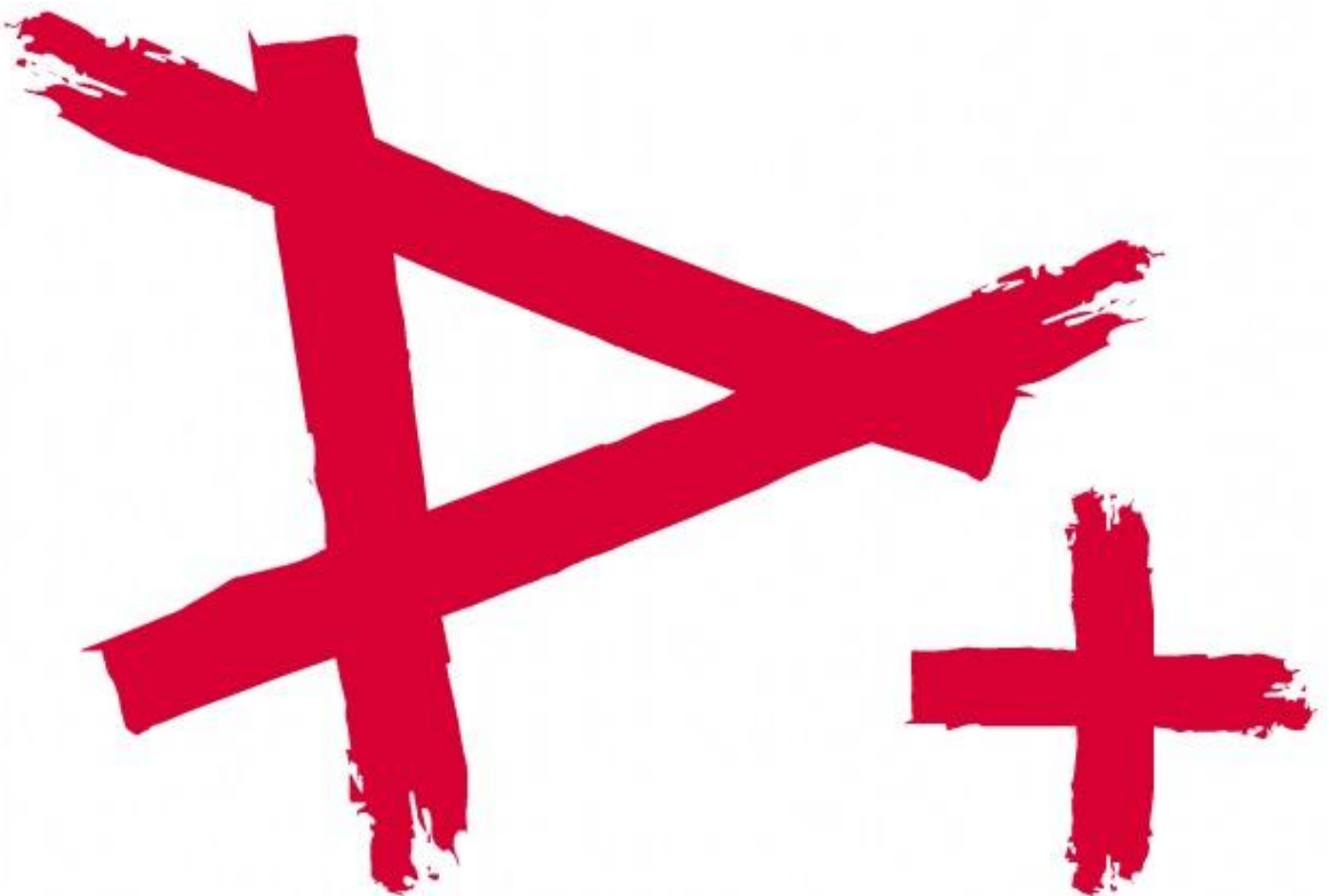




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Cambridge International AS & A Level

BUSINESS

9609/03

Paper 3 Business Decision-Making

For examination from 2023

MARK SCHEME

Maximum Mark: 60

Specimen

This document has **20** pages. Any blank pages are indicated.

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.

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.

Guidance on using levels-based mark schemes

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

The marker 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 (where middle marks are available).
- If the candidate's work **just** meets the level statement, award the lowest mark.

**Subject 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, e.g. a scattergun approach to a question asking for n items
- 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).

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).

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.

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.

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.

Section A**Table A**

Use this table to give marks for each candidate response for **Questions 1** and **2**.

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

Table B

Use this table to give marks for each candidate response for **Questions 3(c), 4(b) and 5.**

Level	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 2 marks	AO4 Evaluation 6 marks
	Description	Description	Description	Description
3				5–6 marks Developed evaluation in context - A developed judgement/ conclusion is made in the business context. - Developed evaluative comments which weigh up 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 weigh up 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 weigh up 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
1	Analyse <u>two</u> possible advantages to DL of centralisation as the business continues to expand. Use Table A to mark candidate responses to this question. AO1 out of 2 marks. AO2 out of 2 marks. AO3 out of 4 marks. Note: • Only reward advantages. • If more than two advantages are referred to, reward the best two. Indicative content Responses may include: AO1 Knowledge and understanding • Definition of centralisation: keeping all the important decision-making powers within head office or the centre of the organisation. • Possible advantages include: - Rapid decision-making - Consistent policies throughout the organisation - Decisions taken in the interest of the whole business rather than just one division of it - Central buying - Experience of senior managers resulting in better decisions. AO2 Application • DL is the market leader in country Y so the success of DL has been achieved with centralised structure. • Central buying of milk and other ingredients gives opportunity for economies of scale. • Experience of Gabriel as founder and director of DL since 2012. • Linking centralisation to future growth plans of the business including opening shops in country Y and franchising abroad. • Quick decision-making needed to compete against global brands that have entered country Y's market. • Protecting Devonice as a premium brand.	8

Question	Answer	Marks
1	AO3 Analysis - Central buying and economies of scale leading to lower unit costs. Enables DL to compete against global brands. - Decisions made in interests of the business as a whole will ensure consistency in tactics to support DL's strategic goals. As a premium brand it is important that there is consistency, for example the decision about lower prices or increased promotion in relation to brand image. - Senior managers at head office will be experienced decision-makers resulting in better decisions for DL to achieve its objectives. - Centralisation more likely to ensure that as DL expands, with new shops and franchises abroad, there will be more consistent marketing to support the brand image. This will boost sales. Accept all valid responses.	
	AO1	2
	AO2	2
	AO3	4

Question	Answer	Marks
2	Analyse <u>two</u> possible limitations to DL of using critical path analysis (CPA) when planning the production line project. Use Table A to mark candidate responses to this question. AO1 out of 2 marks. AO2 out of 2 marks. AO3 out of 4 marks. Note: • Only reward limitations. • If more than two limitations are referred to, reward the best two. Indicative content Responses may include: AO1 Knowledge and understanding • Understanding of critical path analysis (CPA) as a planning and control technique to assist with project management – CPA identifies all tasks in a project, sequences them and identifies the critical path. • Possible limitations include: - Plan is only as good as the management putting it into place - When using CPA for a new project there may be considerable uncertainty involved regarding timing - Labour time required and cost of processing a complex project into a CPA - External events may disrupt the implementation of the project - Does not take account of qualitative factors. AO2 Application • Reference to the case and CPA in Appendix 1 and Appendix 2: - Adapting the new operating system – difficulty of estimating time this will take - Production line worker training might take longer than expected - Reaction of production line workers to the change - Experience of the operations manager to formulate the CPA - Only two weeks' float available for completion of the project by the summer season. Minimum time is 18 weeks. • Operation manager's concerns about impact on workers. • Factories operating at 90% capacity.	8

Question	Answer	Marks																					
2	AO3 Analysis - CPA is purely a quantitative technique that ignores other factors. Factories were operating at 90% capacity, so 12 weeks of running production lines at full capacity will produce large amounts of ice cream that must be stored. - Production line workers may be resistant to change or fear job losses. Threat of industrial action could cause delays. - The durations are all estimated and DL has no previous experience of this type of project, for example training might take longer than forecast. - As the project involves a new production line process and packaging equipment there is possibility of delays as integrating systems may prove problematic. - External factors such as delivery of equipment depends on reliability of suppliers and there is only a two week float available. Accept all valid responses.																						
	AO1	2																					
	AO2	2																					
	AO3	4																					
Question	Answer	Marks																					
3(a)	Using the data in Table 1, calculate the payback period for the production line project. <table border="1"> <thead> <tr> <th>Year</th><th>Net cash flow (\$m)</th><th>Cumulative cash flow (\$m)</th></tr> </thead> <tbody> <tr> <td>0</td><td>(2.5)</td><td>(2.5)</td></tr> <tr> <td>1</td><td>0.5</td><td>(2.0)</td></tr> <tr> <td>2</td><td>0.8</td><td>(1.2)</td></tr> <tr> <td>3</td><td>1.2</td><td>0</td></tr> <tr> <td>4</td><td>1.5</td><td>1.5</td></tr> <tr> <td>5</td><td>1.5</td><td>3</td></tr> </tbody> </table> Payback period is 3 years (1 mark)	Year	Net cash flow (\$m)	Cumulative cash flow (\$m)	0	(2.5)	(2.5)	1	0.5	(2.0)	2	0.8	(1.2)	3	1.2	0	4	1.5	1.5	5	1.5	3	1
Year	Net cash flow (\$m)	Cumulative cash flow (\$m)																					
0	(2.5)	(2.5)																					
1	0.5	(2.0)																					
2	0.8	(1.2)																					
3	1.2	0																					
4	1.5	1.5																					
5	1.5	3																					

Question	Answer	Marks																																
3(b)	Using the data in Table 1, calculate the net present value (NPV) for the production line project. <table><tr><th>Year</th><th>Net cash flow (\$m)</th><th>Discount factor (8%)</th><th>Discounted cash flow (\$m)</th></tr><tr><td>0</td><td>(2.5)</td><td>1</td><td>(2.5)</td></tr><tr><td>1</td><td>0.5</td><td>0.93</td><td>0.465</td></tr><tr><td>2</td><td>0.8</td><td>0.86</td><td>0.688</td></tr><tr><td>3</td><td>1.2</td><td>0.79</td><td>0.948</td></tr><tr><td>4</td><td>1.5</td><td>0.74</td><td>1.11</td></tr><tr><td>5</td><td>1.5</td><td>0.68</td><td>1.02</td></tr><tr><td>Total</td><td>3</td><td></td><td>1.731</td></tr></table> Accurate identification of one or more discounted cash flows Y1–Y5 (1 mark) Sum of discounted cash flows Y1–Y5: \$4.231m (2 marks) NPV = \$1.731m (3 marks) NPV = 1.731 or 1.731m (2 marks)	Year	Net cash flow (\$m)	Discount factor (8%)	Discounted cash flow (\$m)	0	(2.5)	1	(2.5)	1	0.5	0.93	0.465	2	0.8	0.86	0.688	3	1.2	0.79	0.948	4	1.5	0.74	1.11	5	1.5	0.68	1.02	Total	3		1.731	3
Year	Net cash flow (\$m)	Discount factor (8%)	Discounted cash flow (\$m)																															
0	(2.5)	1	(2.5)																															
1	0.5	0.93	0.465																															
2	0.8	0.86	0.688																															
3	1.2	0.79	0.948																															
4	1.5	0.74	1.11																															
5	1.5	0.68	1.02																															
Total	3		1.731																															

Question	Answer	Marks
3(c)	Evaluate whether DL should go ahead with the proposed production line project. Use Table B to mark candidate responses to this question. AO1 out of 2 marks. AO2 out of 2 marks. AO3 out of 2 marks. AO4 out of 6 marks. Indicative content Responses may include: AO1 Knowledge and understanding Relevant factors to decision include: • Payback – time taken to recover investment cost. • NPV – takes into account time value of money. • ARR – rate of return on investment. • Impact on workers, for example job losses. • Cost of the investment. • Impact on customers if there is disruption to supplies. • Availability of finance. AO2 Application • Payback is after three years – two years before end of life of the investment? • NPV is positive so worth considering. • ARR is 24%. • 90% capacity utilisation currently. • Link to plans for expansion – franchising in other countries and shops in country Y. • Operation manager's concerns about workers and delays. • Increased competition from major global brand. • 20 week time period for changeover. • CPA diagram and content, for example minimum time 18 weeks.	12

Question	Answer	Marks
3(c)	AO3 Analysis - Gabriel's ambitious plans for expansion by franchising in other countries and more shops in country Y will require an increase in capacity to meet demand. - Greater efficiency and flexibility to respond to threat of global brands who may have a scale advantage so this will enable DL to maintain greater competitiveness. - Disruption to existing customers may affect future sales of DL if they are unable to complete project in time for the summer season. - Need for training of workers could have positive impact on motivation and therefore productivity. - Possible costs of redundancy and impact on cash flow. - Workers may resist change resulting in an increase in minimum time therefore affecting customers. AO4 Evaluation Overall supported judgement based on a balance of arguments, including: - Forecast cash flows are not entirely reliable as they cover a 5-year period. - Does DL have the necessary finance to support the investment? What will the impact on its gearing be if debt finance is used? - Investment appraisal supports the investment. - Need for other information / choice of techniques to be used before making final decision. - Ambitious expansion plans may need more than update to production lines. Increased capacity may be a better long-term solution. Own figure rule applies. Accept all valid responses.	
	AO1	2
	AO2	2
	AO3	2
	AO4	6

Question	Answer	Marks
4(a)	Using the data in Table 2, calculate the promotional elasticity of demand (PrED) for Devonice ice cream. Promotional elasticity of demand = % change in demand/% change in promotional spending (1 mark if no relevant calculation) Percentage change in promotion spending = $(0.5/1.25) \times 100 = 40\%$ (1 mark) PrED = 10/40 (2 marks) PrED = 0.25 (4 marks) PrED = 0.25% (3 marks) Own figure rule applies.	4

Question	Answer	Marks
4(b)	Evaluate whether DL should, in order to increase sales, reduce the price of ice cream or increase promotional expenditure. Use Table B to mark candidate responses to this question. AO1 out of 2 marks. AO2 out of 2 marks. AO3 out of 2 marks. AO4 out of 6 marks. Indicative content Responses may include: AO1 Knowledge and understanding • Understanding of promotional elasticity of demand; responsiveness of demand to a change in promotional spending. • Understanding of price elasticity of demand; responsiveness of demand to a change in price. • Understanding of role of price and / or promotion within the marketing mix. • Impact on profit of either option. AO2 Application • Demand is price elastic. $PED = 10/-8 = (-)1.25$ i.e. $PED > 1$. • Demand is promotion inelastic $PrED = 0.25$ i.e. $PrED < 1$. • DL produce high quality premium product. • New distribution opportunities of price reduction, for example lower price retailers. • Damage to brand of price reduction. • How DL currently promotes, for example social media, school sponsorship. AO3 Analysis • As DL sells a premium brand, then reducing price may damage brand and therefore change customer perception leading to a longer-term loss of sales. • Inelastic promotional elasticity may suggest that promotion is relatively ineffective at achieving objective of increased sales. Sales not responsive to changes in promotional spending. • Reducing price may increase sales but there will be a lower profit margin and therefore depending on cost of producing the extra ice cream there may be a reduction in profit. • PED is relatively elastic therefore a reduction in price will lead to an increase in revenue. • More promotional spending might support the brand.	12

Question	Answer	Marks
4(b)	AO4 Evaluation Overall supported judgement based on a balance of arguments, including: • Outcome of changing price or promotion depends crucially on response of competitors. • DL may wish to avoid a price war with the global ice cream brands as they may have greater scale and reducing price may damage profits and brand image. • Both elasticities are estimates. What data were the estimates based on? • Is the current promotional mix, for instance school sponsorship, the best way of spending the budget or targeting young adults? • Is finance available for an increase in promotional spending as well as investing in the new production line? Accept all valid responses.	
	AO1	2
	AO2	2
	AO3	2
	AO4	6

Question	Answer	Marks
5	Evaluate whether DL should consider corporate social responsibility in its decision-making. Use Table B to mark candidate responses to this question. AO1 out of 2 marks. AO2 out of 2 marks. AO3 out of 2 marks. AO4 out of 6 marks. Indicative content Responses may include: AO1 Knowledge and understanding • Definition of CSR: considering the interests of society by taking responsibility for the impact of decisions and activities on stakeholders not only shareholders. • Benefits and limitations of CSR approach: - Improved public image - Impact on costs of production - Impact on pricing – higher prices possible - Use as a promotional tool – unique selling point (USP) for business - Impact on employee recruitment and labour turnover - Reduces risk of legal action. AO2 Application • DL donates a share of profits to environmental charities. • Use of palm oil in producing ice cream. • High sugar content of ice cream and health issues in country Y. • Pressure group activity. • Likely government response to health problems and pressure groups. • PED estimated to be elastic. • DL uses school sponsorship as a form of promotion. • New production line project might lead to redundancies.	12

Question	Answer	Marks
5	AO3 Analysis - CSR can enhance brand image and therefore gain control over pricing to consumers enabling an increase in profit in the long term. - Greater brand loyalty from consumers can increase sales and profit. - It differentiates DL from competitors therefore protecting sales from activities of global brands in country Y. - Reducing sugar content now, could give DL a first mover advantage in the market ahead of any government regulation or avoid negative impact of tax if introduced. - Removing palm oil from ingredients could give a USP to DL and boost sales. - If alternatives to palm oil are used then this will increase cost of production and reduce the profit margin of DL. Intense competition may prevent an increase in price (note that PED estimated to be elastic). - Using different ingredients might affect the taste of the ice cream and consumers could switch to competitors' products. AO4 Evaluation Overall supported judgement based on a balance of arguments, including: - How important is CSR to consumers? Will they care more about taste and price rather than the impact of the palm oil industry on deforestation? - Businesses do not operate in a vacuum and must take account of impact of decisions on society to avoid negative publicity and harm to image. - Increased costs in the short term may reduce profit but in the long term increased brand loyalty will enable a higher price to be charged. - DL might benefit from responding to pressure group activity in the short term rather than being forced to make changes in response to government action. Accept all valid responses.	
	AO1	2
	AO2	2
	AO3	2
	AO4	6

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