



**Cambridge Assessment  
International Education**

**Example Candidate Responses – Paper 1**

**Cambridge IGCSE™ / IGCSE (9–1)**

**Business Studies 0450 / 0986**

**Cambridge O Level  
Business Studies 7115**

For examination from 2023



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## Introduction

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The main aim of this booklet is to exemplify standards for those teaching Cambridge IGCSE / IGCSE (9–1) / O Level Business Studies, and to show how different levels of candidates' performance (high, middle and low) relate to the syllabus requirements. This document helps teachers to assess the standards required to achieve marks beyond the guidance of the mark scheme.

In this booklet candidate responses have been chosen from the June 2023 exam series to exemplify a range of answers.

For each question, the response is annotated with examiner comments about where and why marks were awarded or omitted. This is followed by comments on how the answer could be improved. There is also a list of common mistakes and guidance for candidates.

Please refer to the June 2023 Examiner Report for further details and guidance.

The questions and mark schemes are available on the [School Support Hub](#)

**0450 / 0986 / 7115 June 2023 Question Paper 12**

**0450 / 0986 / 7115 June 2023 Mark Scheme 12**

**0450 / 0986 / 7115 June 2023 Insert 12**

Past exam resources and other teaching and learning resources are available on the [School Support Hub](#)

## How to use this booklet

This booklet goes through the paper one question at a time, showing you the high-, middle- or low level response for each question. In the left-hand column are the candidate responses, and in the right-hand column are the examiner comments.

Example Candidate Response – high	Examiner comments
<p>2 Gloria is a sole trader. Her business provides house-cleaning services. Gloria uses telephone calls to communicate with her 4 employees. She wants to expand the business by offering a repair service. Gloria plans to carry out some market research. She has been told producing a business plan can help to reduce risk. Gloria would also like to reduce her workload and is considering taking on a business partner.</p> <p>(a) Identify <b>two</b> ways a business plan can help a business to reduce risk.</p> <p>Way 1: ..... helping ..... working ..... towards ..... goals ..... 1</p> <p>Way 2: ..... financial ..... account ..... to ..... keep ..... recording .....  the ..... capital ..... available ..... and ..... decide ..... whether ..... to ..... expand ..... [2]  or bank will required the business plan in order to rent loan 2 3</p> <p>(b) Identify <b>two</b> possible reasons why a business might want to expand.</p> <p>Reason 1: ..... Wider ..... customer ..... base ..... to ..... have ..... more .....  target audience to have more competitive.....</p> <div data-bbox="177 1010 890 1189" style="border: 1px solid orange; border-radius: 15px; padding: 10px; margin-top: 10px;"> <p><b>Answers</b> are by real candidates in exam conditions. These show you the types of answers for each level. Discuss and analyse the answers with learners in the classroom to improve their skills.</p> </div>	<p>1 This response identifies one way.</p> <p>2 Examples of decisions are not relevant. If this is all they had written, this would have gained no credit. Fortunately, the point is clearly linked to obtaining finance, so the comment is not classed as a different answer.</p> <p>3 Understanding the bank might want to see it, to 'rent the</p> <div data-bbox="1023 987 1465 1279" style="border: 1px solid orange; border-radius: 15px; padding: 10px; margin-top: 10px;"> <p><b>Examiner comments</b> are alongside the answers. These explain where and why marks were awarded. This helps you to interpret the standard of Cambridge exams so you can help your learners to refine their exam technique.</p> </div>

## How the candidate could improve their answer

- (a) Two valid ways are identified. The second way could have been written more succinctly. For example, it could help secure finance. Listing examples of decisions is not relevant and on their own are therefore not awardable.
- (b) Two reasons are identified. However, a shorter answer (stopping after 'wider customer base') would still have earned the mark for reason one. The second part included a third reason so including it only wastes the

This section explains how the candidate could have improved each answer. This helps you to interpret the standards of Cambridge exams and helps your learners to refine their exam technique.

## Common mistakes and guidance

### (a)

- Vague statements about help, decision-making, avoiding problems or being more organised.
- It is important to read the question carefully to ensure answers have the correct focus.

### (b)

- Some candidates were not precise enough when identifying points, or they identified two similar points. Always attempt to select points which are clearly different.
- Only include two points, as additional answers will not be marked.
- There is no need to explain points – the question only required

This section lists common mistakes as well as helpful guidance from the examiner. This will help your learners to avoid these mistakes. You can use this alongside the relevant Examiner Report to guide your learners.

## Question 1

### Example Candidate Response – high

### Examiner comments

- 1 FBW manufactures watches using job production. It employs 5 full-time production employees. Each worker is offered regular training. Last year FBW sold 600 watches. The Managing Director plans to use break-even analysis to help decide whether to increase the price of its products. FBW's current break-even chart is shown in Fig. 1.1.

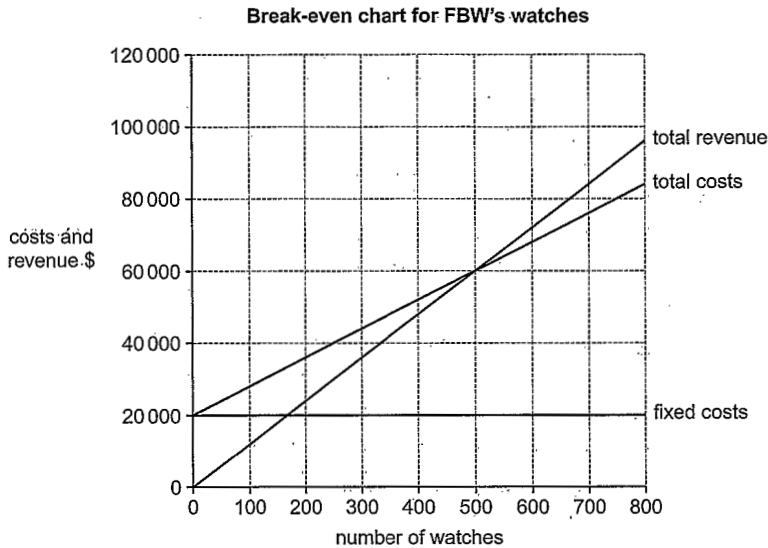


Fig. 1.1

- (a) Identify **two** reasons why a business might offer training to its employees.

Reason 1: ...to provide good services and produce good products constantly constantly. 1

Reason 2: ...to improve employees' productive efficiency and develop their skills. 2 3 [2]

- (b) Calculate the following values using Fig. 1.1: 5

Break-even output: 500

Break-even revenue: 60000\$. 4 [2]

- (c) Outline **two** possible effects on FBW's break-even chart if the prices of its products are increased.

Effect 1: Easier to break even. 5

...since FBW's current break even point is 500 units, if 6

the prices of the products increase it allows them to

break even quicker without selling as many units. 7

Effect 2: More profit made. 8

...if their prices increase, FBW's current break even point

of 500 would allow them to increase profits which

can be reinvested into the business. 9

1 Correct reason. The second part of the sentence is unnecessary as this is classed as an alternative to good service.

2 Another correct answer. Both marks are awarded at this point.

3 The candidate identifies another reason, but this is unnecessary as only the first two responses will be marked. Mark for (a) = 2 out of 2

4 Two correct answers are calculated from the break-even chart. Mark for (b) = 2 out of 2

5 This statement is vague. It does not identify why/how it is easier.

6 Using relevant information from the break-even chart shows good application.

7 Understanding that break-even is quicker to achieve gains the first knowledge mark.

8 A second effect is outlined.

9 There must be two different pieces of application used – one for each knowledge point. Here, the candidate repeats the earlier reference to 500 units so this answer will not be awarded twice. Mark for (c) = 3 out of 4

**Example Candidate Response – high, continued**

**Examiner comments**

(d) Explain **two** benefits to FBW of having full-time employees.

Benefit 1: *more employees commitment* **10**

Explanation: *Working full time of producing watches at FBW may make its employees r feel more loyal to the company. Cause of the longer hours, this may lead to a better commitment and generate less absenteeism.* **11** **12**

Benefit 2: *Easier to manage and communicate* **13**

Explanation: *As the employees stay for a long time in FBW during the watch production, the managers of FBW can gather them together to send information or messages easier. Without worrying some may miss the meeting* **14** **15** **[6]**

**10** A relevant benefit is identified. The comment about employees feeling more loyal is repetition as this is simply an alternative to more committed.

**11** Mentioning watches clearly links the point to the scenario so one application mark is gained.

**12** The candidate offers a relevant explanation about how employee commitment can benefit the business, namely less absenteeism. Analysis must flow on from the knowledge point being made, which it does in this response.

**13** A second benefit is identified.

**14** While the reference to watches could be application, it has already been awarded in benefit one. Each point needs a different piece of application.

**15** The analysis needs more development as 'without worrying they may miss the meeting' does not show a clear impact on the business. For example, missing the meeting could lead to mistakes or the wrong actions taken.

Mark for (d) = 4 out of 6

## Example Candidate Response – high, continued

## Examiner comments

- (e) Do you think job production is the best method of production for a small business to use? Justify your answer.

Job production is when a business produces each of its products based on a specific consumer's requirement, hence each product is unique and the numbers produced are small. A small business can make high profit out of one product <sup>by this way</sup> but generally there's no economies of scale, and it requires high labour cost. There is other method called batch production, where a group of products are made of the same item and they go to the next production stage together. Overall, I don't think job production is the best method for a small business even though this method can help the company build strong customer loyalty by making unique products, since it needs high skilled labour and it has large limitations of growth. I think batch production is a better way as it provides a variety of choices for the consumers and it can generate some economies of scale for the business.

16 The knowledge marks are quickly achieved in the opening sentence for identifying the products are based on specific customer requirements and are unique. Other examples of knowledge are evident throughout the answer but to gain further credit, the candidate needs to show analysis and evaluation.

17 A decision is made, but listing disadvantages does not show reasoned judgement.

18 Explaining how unique products can help build customer loyalty gains the first analysis mark. The second knowledge mark is awarded for identifying an alternative method of production, batch production.

19 Another decision is made, but this statement is not evaluative. Instead of building on points discussed to support the decision, the candidate identifies additional knowledge and analysis.

20 The candidate explains how batch production (an alternative method of production) could allow for economies of scale. This gains the second analysis mark.  
Mark for (e) = 4 out of 6

**Total mark awarded =  
15 out of 20**



## How the candidate could improve their answer

- **(a)** For this question, a simple statement for each point was sufficient. Taking improve efficiency as an example: efficiency is the HOW and mentioning 'increase' shows the direction of change. Candidates should be encouraged to write clearly and succinctly. The question only asked for two reasons, so including additional details or points was unnecessary. Examiners only mark the first two points in a list-style question. This means that whatever is written in the third answer cannot be credited, even if one of the earlier points was incorrect, as a scattergun approach does not show good understanding of the topic.
- **(b)** A correct answer is all that is needed for this type of calculation question. Including the correct mathematical symbol, such as \$, is always recommended, but on this question, it was not essential to access the marks.
- **(c)** The candidate correctly outlined two effects, one of which was in context. Appropriate reference to 500, the number of units sold, clearly links the point to the scenario. Using appropriate data from the chart or any table is a good way to access application as it is specific to the business in question.
- **(d)** The candidate identified two relevant benefits. However, only the first point was developed to show application and analysis. Candidates cannot use the same application for both points. Application does not have to be complex to be awarded. It simply needs to link the point to the chosen scenario. The question asked for the benefit to the business so it was important that candidates showed how the business may be affected. Here, the example given was vague as it did not clearly show how it helped the business.
- **(e)** Good knowledge and analysis were evident in this answer. However, a decision alone is not sufficient to access evaluation. Candidates need to support the decision made with reasoned arguments and these should build on points discussed. Here, mentioning an alternative method of production was a good strategy as the contrast between the two methods can form the basis for a balanced decision. For example, recognising that economies of scale could lead to lower prices may not be important when selling unique products which can be sold at higher prices to offset the higher cost. Therefore, job production could still be a better option for a small business, especially as it may not have the capacity to order large amounts of inventory to benefit from purchasing economies anyway. To gain the second evaluation mark, the answer would need to be in the context of a small business.

Example Candidate Response – middle

Examiner comments

1 FBW manufactures watches using job production. It employs 5 full-time production employees. Each worker is offered regular training. Last year FBW sold 600 watches. The Managing Director plans to use break-even analysis to help decide whether to increase the price of its products. FBW's current break-even chart is shown in Fig. 1.1.

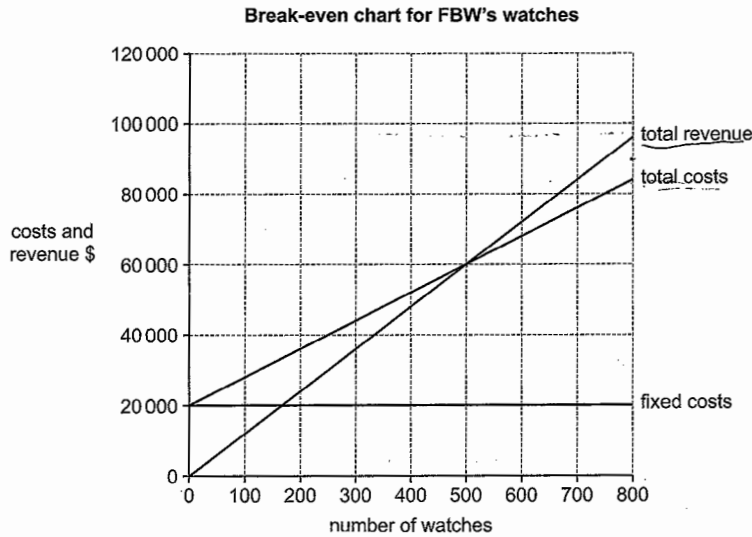


Fig. 1.1

(a) Identify two reasons why a business might offer training to its employees.

Reason 1: To increase the productivity of production

Reason 2: To increase the quality of product

[2]

(b) Calculate the following values using Fig. 1.1:

Break-even output: ~~300~~ ~~500~~ 500

Break-even revenue: ~~300~~ ~~500~~ 300

[2]

1 Two correct answers from the mark scheme gains both marks. Mark for (a) = 2 out of 2

2 Although it is good practice to include the units (watches) for numerical questions, it was not essential to do so in this case.

3 Incorrect answer. The candidate identifies a random value from the chart. Mark for (b) = 1 out of 2

**Example Candidate Response – middle, continued**

**Examiner comments**

(c) Outline **two** possible effects on FBW's break-even chart if the prices of its products are increased.

Effect 1: The total revenue will increase as the price of product increased, as the number of watches sold and their prices are directly proportional.

Effect 2: The fixed cost will change as the price of the product changed, as fixed cost only stays same when stage of production stays same.

(d) Explain **two** benefits to FBW of having full-time employees.

Benefit 1: No need to hire many workers

Explanation: If the FBW hires the part-time employees, they should hire many of them to work for the whole day, but as they hire full-time employees, they don't have to employ more workers.

Benefit 2: Have enough time for the training

Explanation: As part-time workers work between 1-35 hours a week, their training time is hard to be scheduled. However, as the full-time employees work 35hrs or over, they have enough time for the regular training to take place.

4 One effect is identified. There is no need to repeat the question, as this simply takes up time which can be used more effectively to answer later questions.

5 The reference to watches is application.

6 Outlining the effect on costs does not answer the question so this answer gains no marks. Mark for (c) = 2 out of 4

7 A benefit is identified. This is accepted as an alternative to 'fewer workers needed'.

8 No analysis as the comment provided simply repeats the knowledge point. This is a common mistake. They need to show how this would help the business – for example, lower costs as fewer workers needed for training. The reference to training would also have gained application as the scenario clearly states all employees are offered regular training. Alternatively, they could have mentioned the fact that FBW only needs five employees.

9 The focus on training is incorrect as this is a different concept. Without knowledge of a benefit of full-time employees, there is no opportunity to gain application or analysis.

10 Here, the candidate attempts to explain the difference between part-time and full-time employees which is unnecessary and does not answer the question. Mark for (d) = 1 out of 6

**Example Candidate Response – middle, continued**

**Examiner comments**

(e) Do you think job production is the best method of production for a small business to use? Justify your answer.

Job production is a production method which single product is produced at a time. It is a best method of production for small business because it can motivate one and each employees which will increase the productivity. Also, it will be more easier to manage for a small business as its <sup>product</sup> involves specific and unique features other than the batch production and flow production which produce large number of products with similar feature using the machine. As small businesses most likely won't have enough capital to ~~by~~ purchase the ~~is~~ fancy machines, that would be another reason ~~is~~ that job production is the best method for a small business. Job production mostly focus on the specific wants of customers and ~~is~~ getting in closer touch with them which a small business can easily achieve.

11 One knowledge mark for advantage of job production.

12 No analysis as there is no clear connection here between productivity and job production. The analysis needs to be clear and follow on from the point being made.

13 Second advantage is identified. There are other examples such as batch production, but these will gain no further credit as all knowledge marks have been awarded at this point.

14 The reference to flow production is incorrect as this is not an appropriate method for a small business.

15 Analysis for explaining batch production can produce many products. This is true when compared to job production.

16 There is no decision about whether job production is the best method. The final sentence simply repeats a point already made. Without a decision, there is no basis for evaluation to be considered. Mark for (e) = 3 out of 6

**Total mark awarded = 9 out of 20**

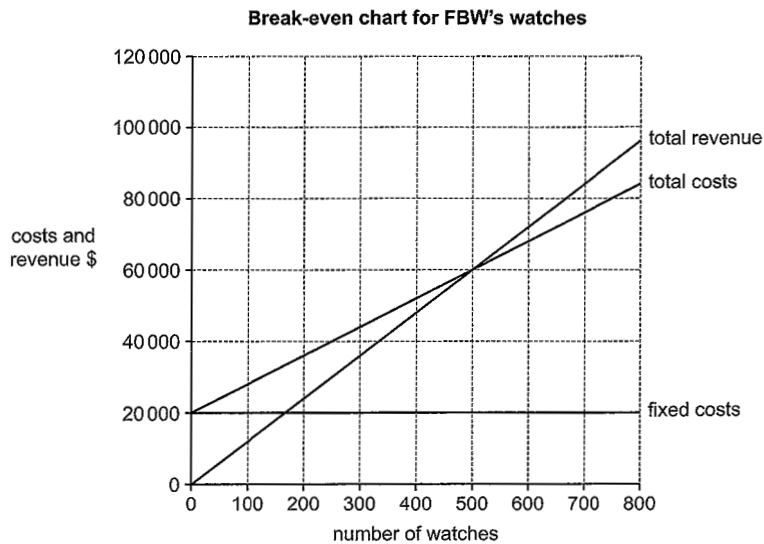
## How the candidate could improve their answer

- **(a)** This was a clear and concise answer. The references to production and products are unnecessary as they do not add any clarity to the answer. This question only required short statements identifying two reasons.
- **(b)** It is good practice to attempt every question. If a question is left blank, there is no opportunity to gain marks. So, while one of the answers is wrong, a guess is always better than writing nothing, especially on a calculation question.
- **(c)** The candidate correctly identified one effect which was then applied. However, the second response had the wrong focus, as changes in price are unlikely to affect costs, so no marks could be awarded. It is also important to note, the candidate did not try to link their answer to the watch-making business. Therefore, even if there had been valid knowledge, there would have been no opportunity to gain application marks.
- **(d)** Benefit one showed some knowledge. However, instead of analysis, the candidate repeated the knowledge point. This was a common mistake. The candidate needed to show how having fewer employees would benefit the business. Neither answer included any reference to FBW, so the candidate missed the opportunity for any application marks. It is important to use the information provided in the scenario to support each point made.
- **(e)** The candidate identified two issues, but only one was developed. The analysis should follow on from a relevant point of knowledge. Here, for example, they could have explained why job production was likely to motivate employees. The candidate made no decision about whether job production was the best method for a small business to use. Therefore, there was no opportunity to access evaluation marks.

## Example Candidate Response – low

## Examiner comments

- 1 FBW manufactures watches using job production. It employs 5 full-time production employees. Each worker is offered regular training. Last year FBW sold 600 watches. The Managing Director plans to use break-even analysis to help decide whether to increase the price of its products. FBW's current break-even chart is shown in Fig. 1.1.



- (a) Identify **two** reasons why a business might offer training to its employees.

Reason 1: Because to make the employees can know what to produce. 1

Reason 2: Because to make sure flow of production not to be disrupt. 2 [2]

- (b) Calculate the following values using Fig. 1.1:

Break-even output: \$60,000 3

Break-even revenue: \$80,000 4 [2]

1 'Make the employee know what to produce' is not specific enough – as this could be a communication issue. Had they said HOW to produce, this could have gained credit under bullet point four – 'so workers know what to do'.

2 This answer shows no understanding of training. It needs to show how or why training would help avoid disruptions. Mark for (a) = 0 out of 2

3 Break-even output is not a financial value, so this response automatically gains zero marks for including the dollar (\$) sign.

4 This answer is incorrect as the answer given is an incorrect calculation of break-even revenue. Mark for (b) = 0 out of 2

**Example Candidate Response – low, continued**

**Examiner comments**

(c) Outline two possible effects on FBW's break-even chart if the prices of its products are increased.

Effect 1: FBW's total revenue will increase when price of its products increase.

Effect 2: FBW's total cost will increase if it's a vary cost of FBW's products.

(d) Explain two benefits to FBW of having full-time employees.

Benefit 1: Save the cost of FBW.

Explanation: When FBW use full time employees then FBW won't cost more money to hire new employees when FBW already have employees on the job.

Benefit 2: FBW flow of production not disrupt.

Explanation: When FBW use full time employees then there're employees available to produce FBW products.

5 Understanding that total revenue will increase gains 1 mark for knowledge.

6 Instead of application, the candidate repeats the question. Using the value of break-even revenue which can be found on the break-even chart could have been one way to link this point to the scenario.

7 The second answer is not relevant as an increase in price will not have a direct impact on costs. Mark for (c) = 1 out of 4

8 The comment about 'save the cost' is a development point only. The candidate needs to identify what or how having full-time employees would allow the business to achieve this.

9 The response does not show how the flow of production not being disrupted relates to having full-time employees.

10 Simply stating 'employees are available' is vague as this could be true for part-time workers. The difference is that full-time employees are always available throughout the working day. The word 'always' was therefore important and is necessary to award this point. Mark for (d) = 0 out of 6

### Example Candidate Response – low, continued

### Examiner comments

- (e) Do you think job production is the best method of production for a small business to use? Justify your answer.

I think job production is best method of production for small business because it'll make small business produce products easily will less cost of production. 11

I don't think job production is best method of production for small business because it'll make flow of production to be slow which will be affect the sales of products.

12

I think job production is the best method of production

because it'll make small business produce theirs products easily and the cost of product is low. 14  
which is okay for small business. [6]

11 Cost can only be awarded as analysis on this question because the candidate needs to specify the reason why costs might change.

12 Understanding that job production is slow is awarded knowledge. The candidate does mention flow of production, but as written it was clear that this was not intended as an alternative method.

13 A decision is made but what follows is simply a statement rather than a judgement.

14 The rest of the answer is vague. Comments such as 'easier' need clarification to show what is easier and therefore why it is an advantage.

Mark for (e) = 1 out of 6

**Total mark awarded =  
2 out of 20**



## How the candidate could improve their answer

- **(a)** Points made must be clear to gain any credit.
- **(b)** The candidate did not demonstrate an understanding of a break-even chart in the calculations provided.
- **(c)** The candidate outlined one effect but did not link their answer to the scenario. Any appropriate reference to the business such as commenting on the number of products sold could have gained application. The second answer was incorrect and therefore there was no opportunity for further credit.
- **(d)** The candidate must have explained the benefits of full-time employees. There was no awardable knowledge in this response. Without knowledge, it is not possible to access marks for analysis or application. Had the candidate mentioned that full-time employees are more loyal to the business, then the point about saving the cost of hiring new employees would have been simple analysis. Application could have been awarded for an appropriate reference to the number of employees or what the employees were manufacturing.
- **(e)** One relevant issue was identified: job production is slow, but this point was not explained. The comments about 'easier' and 'lower costs' were not detailed enough to be awarded marks. The response did include a decision, but to access evaluation marks, the candidate needed to provide a justified reason to support their decision.

## Common mistakes and guidance

### (a)

- There is no need for candidates to write in sentences for this question as they are only required to identify reasons. A couple of words identifying the change and the reason is sufficient.
- Including more than two answers is unnecessary and examiners will only mark the first two responses written.

### (b)

- Using the wrong mathematical symbol such as \$ when referring to output shows incorrect understanding and cannot be credited.
- It is good practice to include any relevant symbols or units in answers, as often these may be required to indicate the candidate fully understands the concept.

### (c)

- A common mistake was to forget that a break-even chart assumes all goods are sold. Therefore, answers about falling sales were not awarded.
- Some candidates discussed the effect on costs which did not answer the question.
- Some candidates used the same references from the scenario as their application to support both points made.
- Using data from the break-even chart is a good way to access application.

### (d)

- Many candidates made incorrect assumptions about full-time employees. For example, they are more skilled or motivated which is not necessarily true as this depends on the person or job.
- This question was about employees, so mentioning the business had five employees is an easy way to access application.
- Analysis does not need to be complex – it simply needs to make sense and follow on from the knowledge point being made.

### (e)

- Advantages of one method can be presented as disadvantages of another method, but the same point will only be awarded once. For example, credit can be given for recognising economies of scale can be achieved using batch production, but the same answer will not be awarded knowledge for stating there are no economies of scale using job production as this would be repetition.
- Some candidates ignored the fact the question was about a small business so discussed methods which were not appropriate, such as flow production. Candidates must read the question carefully.
- Most candidates struggled to develop points. Instead of analysis, many simply identify new points of knowledge.
- Some candidates tried to link points to the scenario, but this is a general question so there are no marks for application.
- Some responses offered no decision, and where attempted, candidates tended to repeat earlier statements in the evaluation.

## Question 2

### Example Candidate Response – high

### Examiner comments

2 Gloria is a sole trader. Her business provides house-cleaning services. Gloria uses telephone calls to communicate with her 4 employees. She wants to expand the business by offering a repair service. Gloria plans to carry out some market research. She has been told producing a business plan can help to reduce risk. Gloria would also like to reduce her workload and is considering taking on a business partner.

(a) Identify **two** ways a business plan can help a business to reduce risk.

Way 1: ..... helping ..... working ..... towards ..... goals ..... 1

Way 2: ..... financial ..... account ..... to ..... keep ..... recording .....  
the ..... capital ..... available ..... and ..... decide ..... 2 ..... whether ..... to ..... expand ..... [2]  
as ..... bank ..... will ..... required ..... the ..... business ..... plan ..... in ..... order ..... to ..... rent ..... loan ..... 3

(b) Identify **two** possible reasons why a business might want to expand.

Reason 1: ..... Wider ..... customer ..... base ..... 4 ..... to ..... have ..... more .....  
target ..... audience ..... to ..... become ..... more ..... competitive ..... 5

Reason 2: ..... More ..... market ..... share ..... 6 ..... due ..... to ..... more .....  
revenue ..... of ..... sales ..... 7 ..... [2]

1 This response identifies one way.

2 Examples of decisions are not relevant. If this is all they had written, this would have gained no credit. Fortunately, the point is clearly linked to obtaining finance, so the comment is not classed as a different answer.

3 Understanding the bank might want to see it, to 'rent the loan' is just enough to gain the second mark.

Mark for (a) = 2 out of 2

4 One mark for identifying a possible reason.

5 The rest of the answer can be omitted as the question only asks for knowledge.

6 Second reason identified. Both marks awarded at this point.

7 The candidate identifies a third reason. This was unnecessary as only the first two answers will be marked.

Mark for (b) = 2 out of 2

**Example Candidate Response – high, continued**

**Examiner comments**

(c) Outline **one** advantage and **one** disadvantage to Gloria of using telephone calls as a method of communication with her employees.

Advantage: Checking whether ~~to~~ her <sup>4</sup> employees <sup>8</sup> have received the message and no <sup>9</sup> mistakes delivered which increase efficiency and faster decision-making process.

Disadvantage: ~~It may be expensive to maintain network because it requires a fee to call,~~ as sole trader may find harder to call <sup>4</sup> employees at same time <sup>10</sup> when <sup>11</sup> they are providing <sup>house-cleaning</sup> service. [4]

**8** Recognising that Gloria has four employees could be application. However, without knowledge being awarded, this contextual reference cannot be credited.

**9** This point gains no credit because 'checking whether... received' is vague and the comment about no mistakes is incorrect.

**10** The candidate clearly outlines a disadvantage, recognising it may be harder to call all the employees at the same time.

**11** One application mark is awarded for a relevant reference to this business. There are two possible examples here – either can be accepted.  
Mark for (c) = 2 out of 4

### Example Candidate Response – high, continued

### Examiner comments

(d) Explain **two** factors Gloria should consider when deciding whether to take on a business partner.

Factor 1: profit 12

Explanation: Taking on a business partner means Gloria will have

13 to share her profits made on her house-cleaning services with 14  
the partner. if Gloria is currently making low profit, this might

15 worse her finance situations

Factor 2: possible disagreement 16

Explanation: Bringing in a partner could lead to possible conflicts

for Gloria and the partner when dealing with their house  
cleaning service 17 as their styles may differ or they value 18

different things, which could slow down the production 19 16

- 12 The word profit on its own is vague.
  - 13 Understanding that she would have to share her profits gains one knowledge mark.
  - 14 Mentioning it is a house-cleaning business clearly links the answer to the context.
  - 15 There is no awardable analysis. The comment about 'worse her financial situation' is based on an unsupported assumption about the level of profit.
  - 16 This is an example of where the analysis is written before the knowledge. 'Disagreements' is analysis only because the candidate needs to explain the potential cause of the disagreement or conflict.
  - 17 The reference to house-cleaning is repetition as this has already been credited in factor one. They could have added that it was her brother who had offered to become her business partner.
  - 18 Knowledge is seen in the explanation section so the earlier analysis can be credited.
  - 19 This scenario is about a service business so any reference to production is incorrect.
- Mark for (d) = 4 out of 6

## Example Candidate Response – high, continued

## Examiner comments

(e) Explain two methods of primary market research a business could use to find out the demand for a new product or service. Which would be the best method to use? Justify your answer. 20

There are methods such as questionnaire and interview. Questionnaire is about setting up a question list asking about consumers' preference and taste of the product or service, and interview is about doing interviews of individuals separately in order to ask for more deep information. Overall, I think questionnaire would be the best method because even though the information collected through this way would be less qualitative or could be false, it's quicker and cheaper than interviews, and it can be sent to a large amount of people electronically. Interviews, on the other hand, even though it can help collect very qualitative information, it is rather time-consuming and the preferences collected may not be the case for the majority of potential consumers. 23

[6]

**20** The candidate correctly identifies two methods of primary market research.

**21** Definitions or descriptions of the methods are not necessary. For analysis, the examiner is expecting the candidate to explain advantages or disadvantages of the methods identified.

**22** Analysis is awarded for the idea that interviews can gather more in-depth (deep) information. Points do not have to match the mark scheme word for word to be credited as long as the answer is clear.

**23** A decision is made. However, it is not until the last line that evaluation is awarded for a supported reason. Here, the candidate builds on the point that questionnaires allow many people to be asked, which is in direct contrast to interviews. Hence, if they used interviews they would miss out on the views of 'the majority of potential customers'. Had they connected the judgment to a new product, this answer might have gained the second evaluation mark.

**24** Explaining that a questionnaire allows a large amount of people to be asked gains the second analysis mark.

**25** This is another example of analysis, but all marks have already been awarded so this explanation receives no further credit.  
Mark for (e) = 5 out of 6

**Total mark awarded =  
15 out of 20**

## How the candidate could improve their answer

- **(a)** Two valid ways were identified. The second way could have been written more succinctly. For example, it could help secure finance. Listing examples of decisions was not relevant and on their own could not be awarded marks.
- **(b)** Two reasons were identified. However, a shorter answer (stopping after 'wider customer base') would still have earned the mark for reason one. The second part included two reasons, which was unnecessary. Examiners will not mark the third reason so including it only wastes the time that could be used to answer other questions.
- **(c)** The candidate correctly identified a disadvantage of using telephone calls as a method of communication. Mentioning the number of employees was a good way to access application – as this clearly linked the point to this business. However, the advantage was vague. Precision in answers is important.
- **(d)** The candidate demonstrated good knowledge of factors. Mentioning house-cleaning was a good application. However, there were no marks awarded for the attempted development of the first factor because it was based on an unknown assumption about the level of profit. The second factor was developed, but the application could not be credited as it is repetition of the one used in factor one.
- **(e)** Knowledge was quickly gained in the first sentence for identifying methods. Both analysis marks were awarded for explaining an advantage of each method. There were other examples of analysis, but to gain more than four marks, the candidate must show evaluation. Here, a clear decision was made (questionnaire) which was then supported in the final line. For the second evaluation mark, the answer needed to be linked to new products or services, to fully answer the question set.

**Example Candidate Response – middle**

**Examiner comments**

2 Gloria is a sole trader. Her business provides house-cleaning services. Gloria uses telephone calls to communicate with her 4 employees. She wants to expand the business by offering a repair service. Gloria plans to carry out some market research. She has been told producing a business plan can help to reduce risk. Gloria would also like to reduce her workload and is considering taking on a business partner.

(a) Identify **two** ways a business plan can help a business to reduce risk.

Way 1: Help Gloria know what she have to do to achieve her goal/objective. 1

Way 2: Increase in sales/revenue due to Gloria is more motivated, know what she doing. 2

(b) Identify **two** possible reasons why a business might want to expand.

Reason 1: Increase the size of the business in the market. 3

Reason 2: Increase in level of revenue cause the business is well-known. 4 5

(c) Outline **one** advantage and **one** disadvantage to Gloria of using telephone calls as a method of communication with her employees.

Advantage: Easy to delegate and understand by her employees which <sup>make</sup> every stages faster. 6 7 lead growth in the business to and her 4 employees get financial/non-financial rewards.

Disadvantage: Increased costs, using telephone calls is can increased the costs depend on how long they talks, which may lead to over-budget and Gloria is also a sole trader which can make her can't effort, and for only 4 employees, she can just talk face-to-face. 8 9

- 1 One reason is identified.
- 2 The candidate identifies an example of an objective which does not answer the question. Mark for (a) = 1 out of 2
- 3 The candidate may be attempting to identify market share, but the answer is not specific enough to gain any marks.
- 4 One reason is identified.
- 5 'Well known' is a relevant reason, however as this is the third answer, it cannot be awarded. Mark for (b) = 1 out of 2
- 6 This answer has the wrong focus as 'easy to delegate and understand' are reasons why communication is important, which is a different question.
- 7 The reference to 'faster' does not make sense here.
- 8 The first mark is gained for identifying a disadvantage, namely increased costs.
- 9 Application is awarded for an appropriate reference to sole trader. Other relevant examples are shown, but only one is needed for each point. Mark for (c) = 2 out of 4

### Example Candidate Response – middle, continued

### Examiner comments

(d) Explain two factors Gloria should consider when deciding whether to take on a business partner.

Factor 1: Knowledge of the partner about house cleaning services.

Explanation: The higher the amount of knowledge the partner know, lesser work Gloria need on training and the partner can help her share the ideas on decision lead to increase in sales.

Factor 2: The amount of the business partner earn.

Explanation: If the partner earn more money, it could help in improving some tools for cleaning and other costs which help Gloria to have more money to do others to improve the business.

(e) Explain two methods of primary market research a business could use to find out the demand for a new product or service. Which would be the best method to use? Justify your answer.

First method is taking surveys of people which would generate what is the demand for a

new product or service in the community. Second method is taking short quizzes or interviews of people in public which would waste a lot of time.

I think the best method is taking surveys as through internet a wide range of

population would fill out the surveys which would provide a more accurate answer.

10 This is a relevant factor to consider when deciding whether to take on a business partner.

11 Application is awarded for mentioning house cleaning service.

12 Explaining how knowledge can help with new ideas on decisions to increase sales is good analysis.

13 The comments about 'what the partner earns' and 'money' are vague. While money could be a factor, either the finance they can contribute or having to share profit, this answer does not clearly identify either of these points. Mark for (d) = 3 out of 6

14 The first method is identified.

15 This line can be omitted as the question does not ask for reasons.

16 A second method is identified. All knowledge marks have been awarded.

17 A relevant disadvantage of interviews gains the first analysis mark.

18 Recognising surveys could allow for a wide range of population is also analysis.

19 A decision is made (I think the best method is...), but the comment about accuracy is not sufficient to support the point. They needed to develop this to show why having the opportunity to ask more people in a survey would be more important than using interviews. Mark for (e) = 4 out of 6

**Total mark awarded = 11 out of 20**



## How the candidate could improve their answer

- **(a)** One way was identified but the second response did not answer the question set. It is important to read the question carefully.
- **(b)** The candidate was awarded 1 mark for a relevant reason. Use of the words 'size of business' was vague, and the examiner did not know whether the answer referred to growth or market share. Points need to be clear to gain credit.
- **(c)** The candidate was awarded 2 marks for outlining a disadvantage of using telephone calls as a method of communication. The advantage was incorrect and therefore gained no additional marks. Had the candidate outlined how telephone calls could help the communication process, such as allowing for faster feedback, then this would have been awarded knowledge mark. The reference to four employees could then have gained a second mark for application.
- **(d)** The candidate was awarded 3 marks for explaining one factor in context. The comment 'earn more money' needed to be clearer. Candidates should always try to refer to the scenario in part **(d)** questions to allow the opportunity for application to accompany any knowledge mark gained.
- **(e)** Good knowledge was evident in this answer, and both points were developed. However, there was no evaluation. The candidate could have used the discussion of the advantages and disadvantages of each method as the basis for a balanced decision.

### Example Candidate Response – low

### Examiner comments

2 Gloria is a sole trader. Her business provides house-cleaning services. Gloria uses telephone calls to communicate with her 4 employees. She wants to expand the business by offering a repair service. Gloria plans to carry out some market research. She has been told producing a business plan can help to reduce risk. Gloria would also like to reduce her workload and is considering taking on a business partner.

(a) Identify **two** ways a business plan can help a business to reduce risk.

Way 1: ~~To plan to~~ make business know demand of market. **1**

Way 2: To save the cost for business. **2**

[2]

(b) Identify **two** possible reasons why a business might want to expand.

Reason 1: Because to increase profit. **3**

Reason 2: Because to increase shareholder. **4**

[2]

(c) Outline **one** advantage and **one** disadvantage to Gloria of using telephone calls as a method of communication with her employees.

Advantage: an advantage to gloria using telephone calls is that it is easier for her to communicate with her employees and for them to communicate with her anywhere and any time when they are needed. **5** **6**

Disadvantage: the a disadvantage to gloria using telephone calls as a method is that there could be misunderstandings when one of her employees are working because they did not properly understand or hear what she said. **7**

[4]

**1** One mark is awarded for the idea that a business plan can help identify demand.

**2** This answer is too vague to be credited. Had the candidate mentioned that identifying costs could help with budgeting or knowing when extra finance is needed, it could have gained the second mark.

Mark for (a) = 1 out of 2

**3** One reason is identified.

**4** The candidate tries to identify return to shareholders, but this is unclear.

Mark for (b) = 1 out of 2

**5** There is no attempt to link the point to the scenario.

**6** Understanding a telephone call allows communication to take place anywhere is relevant knowledge.

**7** The candidate needs to focus on specific features of using telephone calls such as poor connection which might explain why employees did not understand.

Mark for (c) = 1 out of 4

## Example Candidate Response – low, continued

## Examiner comments

(d) Explain **two** factors Gloria should consider when deciding whether to take on a business partner.

Factor 1: If she has the capability of listening to the partner's opinions. **8**

Explanation: If she can tolerate her ~~parent~~ partner's opinions on certain decisions or not and that she won't be able to take some decisions alone. **9**

Factor 2: She should be willing to compromise as she won't be the only owner of the business.

Explanation: She would have to share everything

**10** including the profit and would need to compromise with her partner. Her partner should be an experienced responsible person to handle <sup>the</sup> business. **11** [6]

**8** The statement about 'listening to opinions' is vague because it does not indicate why is this a factor.

**9** 'Cannot make decisions alone' is relevant knowledge. However, there is no use of the information from the stem to link this answer to Gloria's business so no application. The candidate could have mentioned who the potential partner was, namely her brother.

**10** A second factor is identified.

**11** Instead of analysis, the candidate identifies another factor. This is a common mistake. For analysis, they need to show why sharing profit might be an issue, such as it may lead to disputes about how any profit is shared or what it is used for. Again, there is no attempt at application. Mark for (d) = 2 out of 6

## Example Candidate Response – low, continued

## Examiner comments

- (e) Explain **two** methods of primary market research a business could use to find out the demand for a new product or service. Which would be the best method to use? Justify your answer.

A method of primary market research a business could use to find out the demand for a new product could be asking a customer to

- 12 do a survey about the product or service to get their opinions on it. Another method of primary market research a business could use to find out the demand for a new product or service is looking at a similar product or service from another business to find out its demand and customers opinion on it and how the product or service could be better than the other business 15

12 One method is identified. Candidates are not penalised for the spelling if the meaning is clear, which it is here.

13 Simple analysis gains a second mark. It is possible for one method to gain both analysis marks. For example, they could have discussed another advantage or disadvantage of surveys.

14 Looking at similar products or businesses does not identify a method which the question requires to access knowledge marks. The candidate also seems to have forgotten that the question is about new products, so it is unlikely for a business to find out this information anyway.

15 The candidate offers no decision. It is good practice to include one on all part (e) questions, as without one, it is not possible for evaluation to be considered.  
Mark for (e) = 2 out of 6

**Total mark awarded =  
7 out of 20**

## How the candidate could improve their answer

- **(a)** The candidate showed understanding of one way. The answer given for way two lacked clarity. They needed to show how identifying cost data would help reduce risk.
- **(b)** One reason is identified, however, the second reason is vague. The candidate needed to show greater precision when identifying points.
- **(c)** An advantage is outlined. However, there is no use of material from the case study, such as mentioning four employees or house cleaning, which is necessary to access application. Candidates should be encouraged to focus on specific features of named methods.
- **(d)** The candidate identified two issues, but there was no attempt at analysis or application, which limited this answer to 1 mark. Application could be as simple as mentioning not having to take all the decisions could reduce her workload or that the profits would be shared with her brother.
- **(e)** Only one method was explained. The candidate did not identify a second method which was necessary to access the second knowledge mark. The rest of the answer was vague and did not answer the question. It is good practice to include a decision in all part (e) questions.

## Common mistakes and guidance

### (a)

- Vague statements about help, decision-making, avoiding problems or being more organised.
- It is important to read the question carefully to ensure answers have the correct focus.

### (b)

- Some candidates were not precise enough when identifying points, or they identified two similar points. Candidates should always attempt to select points which are clearly different.
- Only include two points, as additional answers will not be credited even if correct.
- There is no need to explain points – the question only requires candidates to identify reasons.

### (c)

- Vague references to phones being 'easy' or 'clear' without indicating why this might be the case.
- Lack of application which meant candidates missed out on two potential marks. Candidates should use information from the stem to help link points to the scenario.
- Repeating the same application which can only be credited once within the same question.

### (d)

- Having the wrong focus, so discussing who should be the partner not whether to have one.
- Some candidates missed out on application marks as they did not link points to the scenario or offer relevant development.
- Analysis should not repeat the knowledge already credited or identify new knowledge.

### (e)

- Some candidates did not identify two methods of primary market research.
- Some identified methods of secondary market research and others confused test marketing with sampling.
- A common mistake was to forget to include a decision, or to just repeat the earlier points from their answer.
- It is good practice to include a decision on all part (e) questions, as without one, it is not possible for evaluation to be considered.

## Question 3

Example Candidate Response – high	Examiner comments
<p>3 VVA is a business based in country X. It manufactures school backpacks (bags). VVA uses retailers as its channel of distribution. The Managing Director knows there are many factors that can affect demand including the stage of the business cycle and how competitive the market is. VVA imports 45% of its raw materials. The Managing Director is worried that the introduction of import tariffs and import quotas, as well as an appreciation in country X's exchange rate, will affect VVA.</p> <p>(a) Define 'import tariff'.</p> <p>The tax <b>1</b> required when a product is importing to a country from another country <b>2</b> [2]</p> <p>(b) Identify two reasons why some markets can become more competitive.</p> <p>Reason 1: More start-ups business grow inside that market <b>3</b></p> <p>Reason 2: More choice of customers to choose from lead to less customer-loyalty <b>4</b></p> <p>(c) State the four stages of the business cycle.</p> <p>1: Growth</p> <p>2: Boom <b>5</b></p> <p>3: Slump</p> <p>4: Fail <b>6</b></p>	<p><b>1</b> Understanding that a tariff is a type of tax gains 1 mark.</p> <p><b>2</b> The second mark is achieved for recognising imports are brought 'to a country from another country.' Mark for (a) = 2 out of 2</p> <p><b>3</b> Having more start-up businesses is a relevant point.</p> <p><b>4</b> This answer gains no credit because the candidate has identified a reason why demand changes, which is a different question. Mark for (b) = 1 out of 2</p> <p><b>5</b> Four correct single word answers are all that is needed for this question. The first three words gain 3 marks.</p> <p><b>6</b> 'Fail' is incorrect as it is not a stage in the business cycle. Mark for (c) = 3 out of 4</p>

## Example Candidate Response – high, continued

## Examiner comments

(d) Explain one possible effect of the following changes on VVA when importing raw materials:

Introduction of import quotas in country X: less raw materials  
can be imported 7

Explanation: less than original 45% 8 of  
raw materials so may produce less output 9  
and less revenue

Appreciation of country X's exchange rate: ~~Able to sell~~  
Harder for VVA to sell products 10

Explanation: of bags because it's more  
expensive for other countries to buy which  
become less competitive as they are not  
affordable [6]

(e) Do you think retailers are the best channel of distribution for a manufacturing business to use? Justify your answer.

Retailers allows the business to sell  
a large quantity 11 of products at one  
time to increase revenue 12 However another  
way is selling business selling directly  
to customers 13 to increase customer

14 loyalty which increase sales of revenue

15 Overall, I think selling directly to customers  
is better as the business can manufacture  
enough demand and able to know what  
customers like this product 16 whereas the business  
have to pay money for retailers <sup>therefore, the business can save the cost to develop new products and become more competitive.</sup>  
to build customer relationship [6]

7 One effect is identified.

8 Recognising the business imports 45% of its materials is an appropriate contextual reference.

9 Relevant explanation showing the effect of the quota on the business, so the candidate gains all 3 marks for this part of the answer.

10 The candidate confuses importing with exporting as shown by the references to sell and 'expensive for other country to buy'. Without relevant knowledge, analysis cannot be considered. Mark for (d) = 3 out of 6

11 The first mark is awarded for identifying that retailers may buy in large quantities.

12 Explaining that this can lead to increased revenue is simple analysis.

13 Second knowledge mark is awarded for identifying another channel of distribution.

14 The comment about increased customer loyalty is too vague because this is not a direct consequence of the channel identified. Had they explained that direct selling allows for more customer feedback, then this along with the comment about loyalty could have been credited.

15 A decision is made but this is not supported.

16 The rest of the answer drifts away from the question and contains no awardable points. It is important to keep the question in mind throughout an answer to ensure points made are relevant. Mark for (e) = 3 out of 6

**Total mark awarded =  
12 out of 20**

## How the candidate could improve their answer

- **(a)** The candidate gave a full definition which was awarded full marks. The same mark could be achieved in slightly fewer words, but the extra words used did not detract from this answer.
- **(b)** The second response was wrong. Candidates should be encouraged to identify key words in the question to ensure responses answer the question correctly.
- **(c)** Single word answers are all that is required to gain full marks on this question. 3 marks were awarded for identifying three stages. While the final answer was wrong, this remained a good response overall.
- **(d)** The candidate demonstrated good contextual understanding of the effect of a quota which gained 3 marks. However, the answer about exchange rate appreciation was incorrect because it considered the effect on exports and not imports.
- **(e)** One advantage of using retailers was explained. The second knowledge mark was awarded for identifying an alternative channel of distribution, but this point was not developed. Identifying alternative methods is a good approach because comparing two methods can provide a good basis for any evaluation. The candidate made a judgement, but it was not clear why selling direct would be a better channel of distribution than using retailers. The final few sentences were not relevant to the question and could have been omitted without affecting the mark gained.



**Example Candidate Response – middle**

**Examiner comments**

3 VVA is a business based in country X. It manufactures school backpacks (bags). VVA uses retailers as its channel of distribution. The Managing Director knows there are many factors that can affect demand including the stage of the business cycle and how competitive the market is. VVA imports 45% of its raw materials. The Managing Director is worried that the introduction of import tariffs and import quotas, as well as an appreciation in country X's exchange rate, will affect VVA.

(a) Define 'import tariff'.

Import tariff is the tax on an imported goods imposed by the government.

(b) Identify two reasons why some markets can become more competitive.

Reason 1: More competitors in the market with an effective marketing strategy.

Reason 2: Wide range of products/services for customers to choose from. Many people are in this mass market, easier to attract a mass amount of customers.

(c) State the four stages of the business cycle.

1: ~~top~~ Introduction

2: growth

3: maturity

4: decline

1 One mark is awarded for understanding that a tariff is a type of tax.

2 Using the word 'import' is repetition of the question and shows no further understanding. This is a common mistake. Mark for (a) = 1 out of 2

3 'More competitors in the market' identifies one reason. The rest of the answer can be omitted as it adds no rewardable content.

4 This answer is incorrect because it identifies a factor affecting demand which is a different question.

5 Another incorrect answer, which even if correct, would not gain credit as it is the third answer. Mark for (b) = 1 out of 2

6 The candidate confuses the business cycle with the product life cycle. However, under positive marking, the candidate can gain 1 mark for mentioning growth, as this is also a stage in the business cycle. Mark for (c) = 1 out of 4

## Example Candidate Response – middle, continued

## Examiner comments

(d) Explain one possible effect of the following changes on VVA when importing raw materials:

Introduction of import quotas in country X: Number of raw materials import may need to be decrease. **7**

Explanation: As the import quotas, limit the number of products/ raw materials import between the Country X, lead to slow production stage and lower output being produce. **8** **9**

Appreciation of country X's exchange rate: The exchange rate may cost higher than VVA expected. **10**

Explanation: If the exchange rate increase / high, the price of the backpack may also increase. **11**  
 increase if not VVA will have less retained profit than expected. **[6]**

**7** Recognising that the number of imports will decrease gains 1 mark.

**8** This sentence repeats the knowledge mark so can be omitted.

**9** Clear explanation of the effect of being able to import fewer materials on production. However, there is no use of material from the stem, such as mentioning they import 45% of its materials, which is necessary to access application.

**10** This answer is incorrect as the candidate has confused appreciation with exchange rate depreciation.

**11** Mentioning backpacks does link the answer to the scenario, however as there is no relevant knowledge, the application cannot be awarded. Mark for (d) = 2 out of 6

## Example Candidate Response – middle, continued

## Examiner comments

- (e) Do you think retailers are the best channel of distribution for a manufacturing business to use? Justify your answer.

Yes! Retailers are the best channel of distribution as the product will be distributed to a wide range of retailers which make it easier to sell the product as no investment would need to be done on promotion, marketing, research etc. It would be more easier as sales would increase as the demand increase by more employees retailers. It is hard to sell their product by an other method of distribution as manufacturers as such don't have a brand image or any customer loyalty.

12 Knowledge is awarded for the idea of wide distribution.

13 The comment about 'easier' to sell is vague, the candidate needed to explain why or how this might be the case.

14 The statement about no investment on promotion or market research was too vague to be credited. Had they added that the retailers will carry out or pay for promotion, the second knowledge mark could have been awarded.

15 Understanding that more retailers could increase sales shows simple analysis. Note, the analysis can appear before the knowledge where the points are clearly connected.

16 The statement about no investment on promotion or market research was too vague to be credited. Had they added that the retailers will carry out or pay for promotion, the second knowledge mark could have been awarded.

17 The candidate recognises there are other channels of distribution but does not identify any. Had they done so, this could have gained a knowledge mark.

18 Comments about brand image can only be analysis because on its own, it does not answer the question. As there is no relevant knowledge, this point cannot be credited.

Mark for (e) = 2 out of 6

**Total mark awarded =  
7 out of 20**

## How the candidate could improve their answer

- **(a)** One mark was awarded for a partial definition. However, the answer lacked the necessary precision to gain the second mark. The candidate simply reused words from the question which did not define the term.
- **(b)** One mark was awarded for the first reason, although the answer could have stopped after 'competitors'. The question only required candidates to identify points, and answers did not need to be written as part of a full sentence.
- **(c)** This candidate confused the product life cycle and the business cycle. This is a common mistake. However, the reference to growth could be awarded as this is a stage of the business cycle.
- **(d)** The candidate was awarded 2 marks for explaining that the number of imports may decrease which could lead to 'lower output' being produced. However, the answer was generic which means it could apply to any business. Had they mentioned what was being produced, namely school backpacks, this would have clearly linked the point to the scenario and gained application marks. The statement about 'cost higher' was wrong as this did not identify any effect of exchange rate appreciation on imports.
- **(e)** The candidate hinted at three different points but only one was identified and explained. Comments such as 'easier' need further clarification to be credited to show how or why this may be the case.

**Example Candidate Response – low**

**Examiner comments**

3 VVA is a business based in country X. It manufactures school backpacks (bags). VVA uses retailers as its channel of distribution. The Managing Director knows there are many factors that can affect demand including the stage of the business cycle and how competitive the market is. VVA imports 45% of its raw materials. The Managing Director is worried that the introduction of import tariffs and import quotas, as well as an appreciation in country X's exchange rate, will affect VVA.

(a) Define 'import tariff'. 1

The limitation of import impose by government.

[2]

(b) Identify **two** reasons why some markets can become more competitive.

Reason 1: Because there are more business to compete 2

Reason 2: Because ~~there are~~ the demand of producer are different 3  
4

[2]

(c) State the **four** stages of the business cycle.

1: Primary

2: Secondary

3: Tertiary

4: Quaternary 5

(d) Explain **one** possible effect of the following changes on VVA when importing raw materials:

Introduction of import quotas in country X: VVA production will reduce 6  
7

Explanation: When government <sup>of country X</sup> impose import tariff VVA will import less raw material which means that there're less material for VVA to produce 8

Appreciation of country X's exchange rate: VVA sales will decrease 9

Explanation: When country X's exchange rate decrease then the demand of VVA products will decrease which will make VVA's sales decrease

1 This answer shows no understanding of a tariff. The use of the word 'limitation' confuses the term with a quota.  
Mark for (a) = 0 out of 2

2 One mark is awarded for a relevant reason.

3 This answer shows no understanding as demand is not a reason why some markets become more competitive.

4 This word is vague. Candidates should always include reference to why or how it is different, and not simply state that something is different.  
Mark for (b) = 1 out of 2

5 No awardable content. The candidate identifies economic sectors instead of stages of the business cycle.  
Mark for (c) = 0 out of 4

6 One relevant effect is identified.

7 There is no attempt to link this point to the context. Had the candidate mentioned what was being produced, namely backpacks, it could have gained 1 mark for application.

8 This part of the answer is confused. The question is about quotas, so candidates should avoid any reference to tariff, as this is a different type of trade barrier.

9 This statement is incorrect as the question is about importing materials and not selling.  
Mark for (d) = 1 out of 6

## Example Candidate Response – low, continued

## Examiner comments

- (e) Do you think retailers are the best channel of distribution for a manufacturing business to use? Justify your answer.

Yes, I think retailers is the best channel of distribution because the price at the Yes, I think retailers are the best channel of distribution for manufacturing business because retailer will buy the product in higher amount than customers or individuals that need for single use, which lead to higher sale and retailer can buy VVA's bags and sell to customers (parents/students), make the brand well-known and meet customer satisfaction lead to produce higher output but, VVA need to make the price cheaper than usually.

10 The answer starts with a decision but at this stage there is no knowledge or analysis to support it.

11 Knowledge mark is awarded for identifying retailers will buy in higher amounts.

12 Instead of analysis, the candidate repeats the knowledge point.

13 The comment about 'well-known' is too vague to credit. This question is about the advantages or disadvantages to manufacturers. Even if the candidate was attempting to explain that the retailer is well-known, it could not gain credit until they showed how would this help the manufacturer.

14 This statement adds nothing to the answer because it is unclear what the candidate means by 'make prices cheaper than usual'.  
Mark for (e) = 1 out of 6

**Total mark awarded = 3 out of 20**

## How the candidate could improve their answer

- **(a)** The candidate showed no understanding of a tariff. It is important to learn key terms and definitions.
- **(b)** The candidate identified one relevant reason. The second answer lacked clarity. The reference to demand showed no understanding of the topic being assessed in the question. Care is also needed when using words such as 'different' – on its own, it is vague. Candidates should include the reason why or how something is different.
- **(c)** This answer demonstrated no understanding of the business cycle.
- **(d)** The candidate correctly explained one effect of quotas being introduced – namely lower production. The answer could be improved if application was included as part of the answer, e.g. fewer backpacks being produced. The reference to tariffs was misleading as the understanding referred to quotas. It might be that the candidate mentioned tariffs to access application, but this was not clear. It is safer to avoid using these two concepts in the same answer unless the question specifically asks to do so. The second part of the answer was incorrect as it discussed the effect of selling products, but the focus of the question was on importing raw materials. It is important to answer the question set.
- **(e)** The candidate started their answer with a decision. However, because they had not offered any justification for this decision, it cannot be awarded any marks. The candidate was awarded 1 mark for identifying an advantage of using retailers as a channel of distribution. However, the development was not awarded because it simply repeated the knowledge. Candidates should be encouraged to clarify points to ensure the meaning is clear.

## Common mistakes and guidance

### (a)

- A common mistake was to confuse the term with a quota.
- Some identified reasons why tariffs are introduced, which is a different question.
- Some responses lacked precision referring to costs or prices instead of tax. Using the appropriate technical terms should be encouraged.

### (b)

- Many identified factors affecting demand instead of reasons why some markets are more competitive.
- Some repeated similar points for both reasons which will only be awarded once.
- Candidates should be encouraged to identify key words in the question to ensure responses answer the correct question.

### (c)

- A common mistake was to confuse the business cycle with the product life cycle.
- Some candidates described each stage, which was unnecessary. A single word answer is all that is needed for each response to access the mark.

### (d)

- Many candidates confused the effects of appreciation with depreciation in the exchange rate.
- Some candidates did not link their answers to the context, so could not access the application marks. Simple ways to do this include appropriate references to the product being made or using relevant numbers to support points.
- Some candidates did not develop the points they made to show how this might affect the business.
- Instead of development, some candidates identified new points, or repeated the original knowledge already credited.

### (e)

- Some identified advantages or disadvantages to retailers, wholesalers or customers instead of manufacturers. It is important to read the question carefully to ensure the answer has the correct focus.
- Some made vague statements about speed, cost and prices which needed further clarification to award.
- Part (e) questions are general questions, so linking points to the context is unnecessary.
- Most candidates struggled to develop points. Candidates should be encouraged to use connectives such as 'this means' or 'therefore' to help encourage analysis.
- Many candidates did not offer a decision. Without a decision, the candidate cannot access the evaluation marks.

## Question 4

### Example Candidate Response – high

### Examiner comments

4 CPF is a clothing retailer. It is a private limited company. It has 4 shops and 30 employees. The Finance Director is concerned about the amount of current assets because working capital is important. The amount of retained profit is also low. CPF's directors are planning to expand the business by opening a new shop. A suitable source of long-term finance will need to be identified. The plan to expand will affect many of CPF's stakeholder groups.

(a) Define 'retained profit'.

The capital <sup>of profit</sup> available after shareholders  
take their dividend. 1

..... [2]

(b) Define 'current assets'.

The value of item owned <sup>2</sup> by a  
business within one year 3

..... [2]

(c) Outline two possible reasons why working capital is important for CPF.

Reason 1: To pay its day-to-day cost 4  
such as the electricity needed to keep  
maintain <sup>operate</sup> the clothing 5 retailer

Reason 2: To ~~react~~ cover emergency 6 for 4  
shops 7 so make the business keep  
running 8

1 Recognising that retained profit is what is left after shareholders take their dividend shows some understanding. Had the candidate added that this profit would then be reinvested back into the business it would have gained full marks. Mark for (a) = 1 out of 2

2 One mark is awarded for understanding an asset is owned by the business.

3 Mentioning the correct time element gains the second mark. Mark for (b) = 2 out of 2

4 The candidate identifies a relevant reason.

5 Understanding that this business is selling clothing is sufficient to gain application mark.

6 A second reason is identified.

7 Recognising the business has four shops clearly links this point to the context.

8 These extra words can be omitted as they add nothing to the answer. Mark for (c) = 4 out of 4



**Example Candidate Response – high, continued**

**Examiner comments**

(d) Explain **one** way each of the following stakeholder groups might be affected by CPF's plans to expand its business.

Employees: promotion possibility 9

Explanation: opening a new shop suggests possible promotion for CPF's existing 30 employees as there will be new managers needed in the shop, which could lead to an increase in their 10 11

Suppliers: income and power in CPF 12  
more sales of ~~raw materials~~ clothes 13 14

Explanation: CPF's expanding plan suggests it will need more raw materials/clothes to meet the increased demand from the new shop set up, if CPF managed to pay its suppliers on time by solving its working capital, this means more profit for the suppliers. 15 16

9 One effect on employees is identified.

10 The reference to 30 is good application. For questions about employees, using numbers is a good way to link answers to the context.

11 The comment about new managers is unnecessary as the question does not ask candidates to explain why promotions arise.

12 Explaining a promotion could result in an increase in income for employees is good analysis.

13 The candidate shows knowledge of an effect on suppliers.

14 Linking the point to what is being sold is relevant application.

15 This sentence repeats the knowledge point but from the viewpoint of the retailer, which is unnecessary.

16 There is an attempt at analysis, but this is not awarded. The comment is vague as higher sales do not necessarily result in higher profit because this is dependent on what happens to the associated costs.

Mark for (d) = 5 out of 6

## Example Candidate Response – high, continued

## Examiner comments

(e) Do you think it is better for a private limited company to use debt (e.g. a loan) or equity (issuing more shares) as a source of long-term finance? Justify your answer.

<sup>Loans</sup>  
~~Debt~~ allow for a large sum of money to be obtained quickly. 17

This would allow companies to ~~expand faster or~~ quickly  
make improvements to ensure the business' success, allowing 18

brand reputation to be maintained. However, ~~issuing~~ loans need  
19 to be paid back with interest, so the business would need to  
increase its prices in order to cover those costs. <sup>Issuing</sup> ~~Issuing~~ more 20

shares allows the business to gain a permanent source of 21  
capital which can help a business expand faster and gain a  
competitive advantage. However, shareholders expect dividends to be paid

and that would lead to less retained profit for the business to 22  
use <sup>in order to</sup> ~~to~~ reinvest. ~~So~~ In conclusion, I think that issuing more shares

23 is a better source of long-term finance as it allows for businesses  
to gain more shareholders and maintain a good brand image. 24

17 Understanding debt can be obtained quickly gains 1 mark.

18 It is unclear what the candidate means by this statement. They needed to explain what or how being able to use funds quicker would help the business. For example, having access to funds more quickly could allow them to expand more quickly.

19 A disadvantage of debt is identified. Both knowledge marks have been awarded at this point.

20 Analysis mark is awarded for the idea that interest could lead to higher costs. It is important that candidates are clear in their explanations.

21 Stating shares as a permanent source of finance is knowledge but will gain no credit as two knowledge marks have already been awarded. However, any relevant development can be credited. In this instance, the comment 'faster' does not follow on from the point made so it cannot be awarded analysis.

22 A disadvantage of equity is explained so the second analysis mark is awarded.

23 The candidate makes an unsupported decision, as the reason given does not explain why equity is better than debt. For evaluation, they needed to compare the relative merits of debt and equity as the basis for their decision.

24 The reference to shareholders is misleading, because one disadvantage of a private limited company is limited shareholders, which could potentially restrict the amount of finance that could be raised.

Mark for (e) = 4 out of 6

**Total mark awarded =  
16 out of 20**

## How the candidate could improve their answer

- **(a)** The candidate could have improved their answer by adding that the profit is reinvested back into the business.
- **(c)** This answer showed that two well-written sentences are sufficient to access all 4 marks. The candidate did not need to add the extra words about keeping the business running.
- **(d)** The candidate clearly understood how each of the named stakeholders might be affected by the planned expansion and made effective use of the source material to show good application. The comment about why managers are needed was unnecessary and gained the candidate no additional marks. The candidate was not able to explain the effect on suppliers of receiving more sales. To improve, they needed to explain the consequence of this for the business, for example, more revenue.
- **(e)** The candidate effectively explained two points. They then decided equity was better than debt but there was no supporting reason to back up this statement. Any evaluation must follow on logically from the points discussed, and not hint at new points of knowledge. For example, they could have explained that the likely disadvantage of having to pay interest is greater than the risk of less retained profit from paying dividends, as debts must be repaid whereas dividends are optional.

**Example Candidate Response – middle**

**Examiner comments**

4 CPF is a clothing retailer. It is a private limited company. It has 4 shops and 30 employees. The Finance Director is concerned about the amount of current assets because working capital is important. The amount of retained profit is also low. CPF's directors are planning to expand the business by opening a new shop. A suitable source of long-term finance will need to be identified. The plan to expand will affect many of CPF's stakeholder groups.

(a) Define 'retained profit'.

1 Profit leftover by the business after taxes and dividends have  
 been paid. 2  
 ..... [2]

(b) Define 'current' assets'.

Short term assets the business owns 3  
 4  
 ..... [2]

(c) Outline two possible reasons why working capital is important for CPF.

Reason 1: Helps pay for day-to-day expenses. 5  
 6 CPF is a private owns 4 shops, so ensuring that they have enough  
 capital to cover fixed costs will ensure the business can continue 7  
 to operate efficiently and produce enough output to meet demands.  
 Reason 2: Allows workers higher wages. 8  
 CPF has 30 employees, so having enough working capital ~~is~~ will  
 allow workers to receive higher wages which would motivate them  
 more and lead to less labor turnover. [4]

1 This comment is too vague and does not identify what this left over profit represents or what happens to it.

2 The candidate gains 1 mark for understanding it is profit left over after dividends have been paid. For the second mark, they needed to provide a precise definition of the term.  
 Mark for (a) = 1 out of 2

3 The candidate provides a partial definition and is awarded 1 mark for understanding that a current asset is owned by the business.

4 The reference to short term is not specific enough as it does not indicate the timespan. They needed to add that short term was less than one year.  
 Mark for (b) = 1 out of 2

5 One reason is identified.

6 Linking the knowledge to the business having four shops is relevant application.

7 The rest of this answer can be omitted as the question does not require detailed explanations.

8 This answer is incorrect and shows no understanding of working capital. While working capital could be used to pay wages, it does not directly influence whether employees receive higher wages.  
 Mark for (c) = 2 out of 4

**Example Candidate Response – middle, continued**

**Examiner comments**

(d) Explain **one** way each of the following stakeholder groups might be affected by CPF's plans to expand its business.

Employees: ~~Job security may be threatened~~ <sup>More job opportunities</sup> 9

10

Explanation: Since CPF plans to expand, they will need to either

11 relocate or hire new employees. If the expansion does ~~not~~ do

12 well it could lead to ~~these employees receiving lower wages which~~ <sup>more job opportunities in country x which would</sup> lower unemployment levels and ~~maintain standards of living~~ <sup>higher GDP</sup> which would be demotivating and potentially cause labor turnover.

Suppliers: Demand will be higher 13

Explanation: CPF already owns 4 shops, so by further expanding 14

will lead to higher demand from suppliers ~~it~~ which would

allow them to generate more sales and maintain good brand

image reputation 15

[6]

9 This statement is confused. Does the candidate mean more jobs are available or it would create opportunities for employees to be promoted? The first interpretation does not answer the question, and while the second part would be correct, the examiner should not be expected to guess the intended meaning.

10 Mentioning that CPF plans to expand is true, but this cannot be awarded application mark, as the candidate simply repeats words from the question. To access the mark, the candidate needs to use a different reference to link the point to the scenario. For example, mention the number of employees, namely 30.

11 Understanding that some employees might have to relocate gains one knowledge mark.

12 The candidate returns to the idea of more jobs and attempts to develop this to show the impact on the local economy and not the employees. So even if the knowledge had been credited, this explanation would not gain analysis.

13 A relevant effect on suppliers is identified.

14 Recognising the business would be supplying four shops is relevant application.

15 Instead of analysis, the candidate repeats the knowledge point using different words. They need to explain a benefit to the business of having more sales, such as increased market share or higher revenue.  
Mark for (d) = 3 out of 6

## Example Candidate Response – middle, continued

## Examiner comments

(e) Do you think it is better for a private limited company to use debt (e.g. a loan) or equity (issuing more shares) as a source of long-term finance? Justify your answer.

16 Using debt can help a private limited company raise a larger amount of money, though it requires repayment with interest in the future <sup>and</sup> a security. 17 While using equity means the 18 company will not be required to pay back the money but dividends, as a private limited company, the <sup>amount</sup> of <sup>raised</sup> finance could be limited due to the small numbers of shareholders. Overall, I think using debt is a better way because even though 20 it requires a security to borrow, it helps the company raise the amount of money it needed, while using equity may not do so even if it doesn't require repayment. 21

16 The comment about the amount of money is vague as it is not possible to know which source would raise the larger amount.

17 Understanding debt requires repayment and involves interest gains the candidate both knowledge marks in the same sentence.

18 The next few lines include further examples of knowledge but, as both marks have already been gained, these statements about security and small number of shareholders will gain no further credit. To access additional marks, the candidate must develop one or two points identified in their answer.

19 Candidates cannot gain two knowledge marks for stating an advantage of equity is no need to repay, and then a disadvantage of debt is it must be repaid as this is repetition. Candidates must identify two distinct points to access the marks.

20 A decision is made but this cannot be credited unless the answer is supported with relevant knowledge and analysis. While this answer includes plenty of knowledge, none of it has been developed so there is nothing to support the statement made.

21 This is repetition of an earlier point.  
Mark for (e) = 2 out of 6

**Total mark awarded =  
9 out of 20**

## How the candidate could improve their answer

- **(a)** The candidate provided a partial definition. They could have developed this by stating that the leftover profit would be reinvested back into the business.
- **(b)** This answer showed some understanding of the term 'current assets'. The candidate could have improved their answer by adding that the items are held for less than 12 months.
- **(c)** The command word only asks candidates to outline points, so they do not need to include detailed explanations. The second answer did not outline why working capital is important. While it can be used to pay wages, this would be an example of reason one, so would be classed as repetition. To access the second mark, the candidate needed to outline one of the other reasons listed in the mark scheme.
- **(d)** The candidate correctly identified two effects, but only one was in context. Neither point was successfully developed. To improve their answer, the candidate needed to explain the effect on employees and suppliers of relocation and high demand respectively. For example, relocation could demotivate employees as they must spend more time travelling to the new location. Had they also included the number of employees, then the answer could have gained all 3 marks for the first part of the question.
- **(e)** The candidate provided two relevant disadvantages of using debt in the first sentence. However, neither point was developed to explain the possible consequence of the need to repay or interest for a business. For example, paying interest would increase cash outflows. The candidate stated their decision, but there was no analysis or justification offered to support their point of view.

## Example Candidate Response – low

## Examiner comments

4 CPF is a clothing retailer. It is a private limited company. It has 4 shops and 30 employees. The Finance Director is concerned about the amount of current assets because working capital is important. The amount of retained profit is also low. CPF's directors are planning to expand the business by opening a new shop. A suitable source of long-term finance will need to be identified. The plan to expand will affect many of CPF's stakeholder groups.

(a) Define 'retained profit'.

Number of profit that are available after minus cost of production. 1

[2]

(b) Define 'current assets'.

How much property or money is the business have left. 2  
3

(c) Outline two possible reasons why working capital is important for CPF.

Reason 1: It is an ability for business to pay short-term day to day expenses. 4

Reason 2: It is important because it is needed for the business expansion which CPF's director is planning. 5

1 The candidate tries to define profit, not retained profit. Mark for (a) = 0 out of 2

2 This answer shows no understanding of current assets.

3 Mentioning property is inaccurate as this is a non-current asset. Mark for (b) = 0 out of 2

4 The first reason is outlined but there is no application. Had the candidate then mentioned the expenses might involve paying rent for the four shops or paying the 30 employees, this could have gained an additional mark.

5 The second reason is incorrect as working capital is necessary for short-term purposes and not to fund expansion. Mark for (c) = 1 out of 4



## Example Candidate Response – low, continued

## Examiner comments

- (d) Explain **one way** each of the following stakeholder groups might be affected by CPF's plans to expand its business.

Employees: Might have a chance to promote 6

Explanation: As the business is expanding, the business will hire more employees. Thus, the ~~new~~ existing employees might 7

have ~~chance~~ chance to promote 8

Suppliers: Increase in ~~suppl~~ quantity of raw material being supplied. 10

Explanation: As the business will become ~~to~~ much bigger, they will need much greater amount of raw material being supplied.

[6]

- (e) Do you think it is better for a private limited company to use debt (e.g. a loan) or equity (issuing more shares) as a source of long-term finance? Justify your answer.

Private limited companies are the companies which are legal to sell the share to ~~the~~ close people such as

11 family, or friends. To use bank loan is to borrow a sum of money from the bank which should be repaid with 12

13 the interest. Using equity is using the shareholders' investments by issuing more ~~at~~ shares. However, there will be a limit for business private limited business to use equity as a source of long-term finance as they cannot sell the share to general

14 public. ~~Best~~ ~~Best~~ Although using equity doesn't charge a business any interests, it is better for private 15 limited company to use debt because it is much clear and reliable source of long-term finance. [6]

6 One effect is identified.

7 The reference to the expansion is not application because this is simply repeating content from the question.

8 Had the candidate mentioned the number of existing employees, this could have counted as relevant application.

9 Instead of analysis, the candidate repeats the knowledge point. To gain analysis, the candidate needs to explain how its existing employees might benefit from the promotion.

10 Although the comment 'increases the quantity being supplied' could have gained some credit, the reference to raw materials means this answer is incorrect. This is because the candidate assumes CPF is a manufacturer instead of a retailer. Mark for (d) = 1 out of 6

11 The comment about 'close people' is too vague to credit. However, mentioning who these people were, namely friends and family does gain the first knowledge mark.

12 A second mark for understanding that a bank loan must be repaid is awarded.

13 Another disadvantage is identified but as all knowledge marks have been awarded, this will not be credited. To access additional marks, the candidate must develop at least one of the points made.

14 This question is about private limited companies so comparisons to other forms of business organisation can be ignored.

15 Repetition of an earlier knowledge point. Mark for (e) = 2 out of 6

**Total mark awarded = 4 out of 20**

## How the candidate could improve their answer

- **(a)** The candidate did not demonstrate an understanding of retained profit. The comment about ‘minus the cost of production’ may suggest a partial understanding of profit, but this is a different concept.
- **(b)** The question asks for a definition, so candidates should focus on providing an exact meaning of current assets. There is no need to include examples as these do not define the term.
- **(c)** One reason was outlined, but there was no application. Using relevant examples from the scenario, for example, mentioning the expenses might be connected to the four shops would allow the opportunity for a further mark.
- **(d)** The candidate showed good knowledge of the effect on employees but there was no awardable analysis or application. Application should not be difficult to access, a simple reference to the number of existing employees would be sufficient to link the point to the scenario. Analysis should develop a consequence of the knowledge point made.
- **(e)** The candidate correctly identified two relevant points, however there was no analysis and therefore no opportunity to access evaluation. To improve their answer, the candidate needed to develop an explanation of one of the points they included. For example, they could have added that paying interest would increase expenses.

## Common mistakes and guidance

### **(a)**

- A common mistake was to define profit or identify uses of profit, rather than providing a full definition of retained profit.
- Some reordered the words of the question which showed no understanding of the term.

### **(b)**

- A common mistake was to refer to ‘short period of time’ without specifying what this meant.
- Some repeated the word ‘asset’ or gave examples which do not define the term.
- Some confused assets with liabilities by saying the assets were owed. Candidates should be encouraged to learn key terms.

### **(c)**

- Most candidates found it difficult to outline two different reasons.
- Some confused working capital with profit.
- Many candidates did not attempt to link their answer to the scenario so missed out on the opportunity to gain application. Any appropriate reference can be used if it makes sense in relation to the point being made.

### **(d)**

- Many candidates ignored the fact that CPF was a retailer so incorrectly assumed suppliers would provide raw materials to CPF. Candidates should take the context into account when identifying points.
- Some candidates struggled to explain the effect on suppliers. They must develop the knowledge point made to show a consequence for the stakeholder.
- Explaining the effect on the business, rather than the stakeholder.

### **(e)**

- Some candidates expressed the advantage of one source of finance as the disadvantage of the other. Whilst both are technically correct, it is the same point and therefore will only be awarded once.
- Some candidates offered comparisons between a private limited company and a public limited company.
- Analysis must follow on from the knowledge point made.
- Instead of analysis, candidates tended to identify additional points of knowledge.
- Some decisions were unsupported, or simply repeated earlier points made in their answer.

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