



**Cambridge Assessment  
International Education**

# Example Candidate Responses – Paper 1

## Cambridge International AS & A Level Business 9609

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 International AS & A Level Business, 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 for each question.

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](#)

**9609 June 2023 Question Paper 12**

**9609 June 2023 Mark Scheme 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 a high-, middle- and low-level response for each question. The candidate answers are set in a table. In the left-hand column are the candidate answers, and in the right-hand column are the examiner comments.

Example Candidate Response – high		Examiner comments
1	a	Demand refers to the willingness and ability of consumers to buy a good or service at a particular price in a specific time period. It can be heavily influenced by changes in price.
1	b	Supply for a product can be influenced by climate and weather conditions. For example if there is a bad harvest due to poor climate, the supply for wheat might decrease and there

**Responses** are written by real candidates in exam conditions, demonstrating the types of answers for each level. These could be used to discuss and analyse the answers with learners in the classroom to improve their skills.

**Examiner comments** explain where and why marks were awarded. These help to interpret the standard of Cambridge exams to help learners refine their exam technique.

## How the candidate could improve their answer

- **(a)** This answer could not be improved regarding the definition of demand. The last sentence was not necessary and was not awarded a mark.
- **(b)** This was a strong answer with detailed application of one factor and it could not be improved.

This section explains how the candidate could improve each response. It helps learners to improve their exam technique.

## Common mistakes and guidance for candidates

- **(a)** Definitions should be precise without any need for explanation. Many candidates were awarded 2 marks for this question. Answers frequently referred to the amount that a customer is willing and able to buy. 'Amount' was acceptable as an alternative to quantity. Reference to specific price or specific time was needed to earn the second mark.
- **(b)** The candidate needed to state one factor that influences supply. If several factors were stated, only one of them would be marked. The explanation needed show how the factor will influence supply and candidates needed to give a clear explanation of how that factor would increase or decrease the supply. An example of a vague answer would be, 'A change in weather conditions might increase or decrease supply'. This answer would be awarded 1 knowledge mark for the reference to the change in weather conditions.

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	a	<p>Demand refers to the willingness and ability of consumers to buy a good or service at a particular price in a specific time period. It can be heavily influenced by changes in price.</p>
1	b	<p>Supply for a product can be influenced by climate and weather conditions. For example, if there is a bad harvest due to poor climate, the supply for wheat might decrease and there may be a shortage of wheat in the market, forcing the price of wheat up.</p>

**1** Willingness and ability to buy a product is a partial answer.

**2** The candidate expands this with reference to a particular price and specific time period shows clear understanding. This answer includes both of these points, but only one is necessary for 2 marks.

**3** The final sentence is not necessary for this definition.

Mark for (a) = 2 out of 2

**4** The candidate states climate and weather conditions, which shows knowledge of one factor which can influence supply.

**5** Developed application of this point relates to a bad harvest causing supply to decrease, leading to a shortage of wheat.

Mark for (b) = 3 out of 3

**Total mark awarded = 5 out of 5**

### How the candidate could improve their answer

- **(a)** This answer could not be improved regarding the definition of demand. The last sentence was not necessary and was not awarded a mark.
- **(b)** This was a strong answer with detailed application of one factor and it could not be improved.

Example Candidate Response – middle		Examiner comments
1	<p>a) <del>Demand is consumers want something goods or services and are willing to pay any amount.</del> <b>1</b> Demand is the quantity of a product that a consumer is ready to pay for.</p> <p>b. Technology, <b>2</b> When the company uses technology to make products there will be a higher <del>near</del> number of products produced compared to a company that uses manual labour since machines don't get tired they can work for a longer time compared to <b>3</b> humans that need a break within the work.</p>	<p><b>1</b> The candidate refers to the quantity of a product without mentioning a specific price, so gives a partial definition. Mark for (a) = 1 out of 2</p> <p><b>2</b> Technology is a correct factor influencing supply, so the candidate is awarded 1 knowledge mark.</p> <p><b>3</b> The application refers to technology improving productivity which is correct, so the candidate is awarded 1 application mark. Mark for (b) = 2 out of 3</p> <p><b>Total mark awarded = 3 out of 5</b></p>

### How the candidate could improve their answer

- **(a)** To improve their answer, the candidate could have said 'is willing and able to buy' rather than 'ready to pay for', but this would still be a partial definition. The second mark could only be awarded if they referred to a specific price or time.
- **(b)** The candidate could have developed their point about increased productivity by making a link to supply, for example 'higher number of products produced means that the supply of products to customers can be increased'.

Example Candidate Response – low		Examiner comments	
1	a	<p>Demand is a term used for product availability, based on customer needs. If the product needs is too high then demand will be up. Demand is basically dependent upon the availability of the product.</p>	<p>1 The candidate's answer does not show a clear understanding of demand. Product availability refers to supply.</p> <p>Mark for (a) = 0 out of 2</p>
1	b	<p>There are many factors that can influence the supply of the product. Place is the main factor where there is manufacturing of factor. The customer can easily access to if the place is nearby, there will be low transportation cost. The other factor is the capital you have. Move machinery can take over labour cost. You can invest directly in the product rather than wasting the money on labour expenses. The quality and supply will be better.</p>	<p>2 Place / location is a factor that can influence supply and the candidate is awarded one knowledge mark.</p> <p>3 Easy access of the customer affects demand, not supply.</p> <p>4 Transportation cost and capital / machinery are also factors affecting supply, but the question asks for just one factor.</p> <p>5 The final two sentences do not explain how any of the three factors given might influence supply.</p> <p>Mark for (b) = 1 out of 3</p> <p><b>Total mark awarded = 1 out of 5</b></p>

### How the candidate could improve their answer

- **(a)** The comment on customer needs is linked to demand. The candidate should have referred to the quantity of the product that a customer needs / wants and is willing to buy.
- **(b)** The candidate needed to only choose one factor and apply this to its influence on supply. The most appropriate one, based on the content of this answer, would be the use of more machinery rather than labour. The application could then be that usually more products can be made by machinery than labour. This will improve productivity and lead to an increase in supply.

### Common mistakes and guidance for candidates

- **(a)** Definitions should be precise without any need for explanation. Many candidates were awarded 2 marks for this question. Answers frequently referred to the amount that a customer is willing and able to buy. 'Amount' was acceptable as an alternative to quantity. Reference to specific price or specific time was needed to earn the second mark.
- **(b)** The candidate needed to state one factor that influences supply. If several factors were stated, only one of them would be marked. The explanation needed to show how the factor will influence supply and candidates needed to give a clear explanation of how that factor would increase or decrease the supply. An example of a vague answer would be, 'A change in weather conditions might increase or decrease supply'. This answer would be awarded one knowledge mark for the reference to the change in weather conditions.

## Question 2

### Example Candidate Response – high

### Examiner comments

2)	a)	Factors of production are needed to produce a product / service profitably. These include land, labour, capital, enterprise. It is what enables the operation of a business.	1
			2
2)	b)	Transformational process is what converts inputs to outputs. One stage of the transformational process is the when raw materials / components are combined to create a product. Parts of raw materials are converted to the end product which will now be delivered to the customer.	3
		for e.g. raw materials such as tyres and engines will be converted to make a car.	4

Mark for (a) = 2 out of 2

Mark for (b) = 3 out of 3

**Total mark awarded = 5 out of 5**

### How the candidate could improve their answer

- **(a)** The candidate listed the four factors and gave a partial definition. The factors are the resources / inputs needed to start and operate a business. Their definition would have lacked clarity if they had not included the words 'factors of production' and 'land, labour, capital, and enterprise'. Instead it could have been referring to just capital, which would have been a different definition than the one asked for.
- **(b)** The candidate understood that the transformation process begins with inputs, recognised what inputs might be and gave a sensible example to show how inputs could be used, so was awarded all 3 marks. The application of the output stage using the car as the end product showed understanding of what is going to be sold to the customer.

Example Candidate Response – middle		Examiner comments
2	(a) Factors of production <del>are</del> the components needed for production. They include land, labour, capital, & enterprise. Together, they're combined to create a business.	<p>① 'Components needed for production' is too vague, but the final sentence of 'combined to create a business' adds strength to the answer. The inclusion of the list of factors creates a clear definition.</p> <p>Mark for (a) = 2 out of 2</p>
2	(b) The transformational process is taking materials or raw supplies & turning them into profitable, sellable products. One of its stages is product development where the product is designed & finalized before going into production.	<p>② Raw supplies could be an alternative name for raw materials. These are inputs, although the candidate does not state this.</p> <p>③ The candidate's reference to product development is mainly about marketing rather than the transformational process of operations.</p> <p>Mark for (b) = 1 out of 3</p> <p><b>Total mark awarded = 3 out of 5</b></p>

### How the candidate could improve their answer

- **(a)** Definitions should be precise. The candidate could have improved their answer by combining the first and last sentences and listing the factors as the second sentence, for example 'Factors of production are the components which are combined to create a business and to carry out production. They include land, labour capital and enterprise.'
- **(b)** The first sentence was acceptable to include in the answer. There needed to be reference to the raw supplies being the inputs that are turned into sellable products. An example of a raw supply, e.g. flour to be used in cooking, would have shown developed application of the input stage.



## Example Candidate Response – low

## Examiner comments

2.		
	a.	Land, labour, capital, Enterprise. ①
	b.	Primary sector. ② This is the first transformational process that ever includes extracting of materials like coal or minerals like coal, limestone that are used in things like craft. ③

① The candidate gives a partial definition and is awarded 1 mark for giving a list of the factors of production without any further comment.

Mark for (a) = 1 out of 2

② The candidate confuses sectors of production with factors of production.

③ Coal and limestone are raw materials, but the candidate does not give them as examples of the input stage of the transformation process.

Mark for (b) = 0 out of 3

**Total mark awarded = 1 out of 5**

## How the candidate could improve their answer

- **(a)** The candidate needed to give the definition of factors of production and use the list of factors to support this if necessary.
- **(b)** The candidate did not seem to know what the transformational process is so was not able to give a correct answer.

## Common mistakes and guidance for candidates

- **(a)** Many candidates were able to give a clear definition and most of them named the factors of production. This made it possible to award 2 marks to definitions which were two partial statements rather than a clear definition. Candidates must be aware that definitions should be precise and can be found in books and web-based learning sites. The wording of definitions will vary in different sources, but the content of the definition will still be correct.
- **(b)** Candidates found this question difficult to answer and gave a definition of the transformational process rather than identifying a stage. Some candidates referred to adding value as a stage, but it is a consequence of the transformation process rather than a separate stage. Some candidates successfully incorporated adding value into their application for the input or output stage.

## Question 3

### Example Candidate Response – high

### Examiner comments

3	a	Equality is the practices and processes used in a business so that everyone is given the same opportunities of achieving their potential. Everyone is treated the same, with no discrimination towards gender, race or social class.	1 2 3 4
3	b	One benefit may be that it stimulates allows for a multi-cultural workforce that can contribute different ideas and perspectives to the decision-making of a firm. Diversity places positive value on the idea of different cultures, races, religions in a workforce so for example if a firm decides to <del>pro</del> change its promotion for some countries, a diverse workforce would help them decide on culturally appropriate advertisements that don't offend anyone, giving the firm a broader perspective on international affairs without having to pay the costs of recruiting new employees specifically for this purpose.	5 6 7

1 The candidate refers to 'processes' which ensures that their response is relevant to a business situation.

2 The candidate's reference to the 'same opportunities' shows their understanding of people being treated in the same way.

3 The candidate's use of 'no discrimination' shows their understanding that all have equal value.

4 The candidate states 'gender, race or social class', which demonstrates their knowledge of groups who may face inequality.

Mark for (a) = 2 out of 2

5 'Ideas and perspectives' is a benefit.

6 This point shows the candidate's understanding of a diverse workforce.

7 Application is based on successful promotion to different countries.

Mark for (b) = 3 out of 3

**Total mark awarded = 5 out of 5**

### How the candidate could improve their answer

- **(a)** This answer contained more than enough points which would comprise a definition of equality. The first or the second sentence on its own would have been awarded 2 marks. A combination of parts of these sentences would also give a clear definition, e.g. 'the processes which make sure that everyone is given the same opportunities regardless of gender, race, or social class'.
- **(b)** This answer could not be improved; it was clearly written, showed good understanding and gave an application of one benefit to a business of employing a diverse workforce.



## Example Candidate Response – middle

## Examiner comments

3a)	Equality means everyone should be treated equally at the business e.g. managers, entrepreneurs, workers, the owners of the business everyone should be enough motivated so that the business will be profitable.
	More profit;
b.	Since there is a diverse workforce the company can make products that anyone in the society can consume using the different race, religion that they have in the work place the company gains a wider market hence making more profits

- 1 Being treated equally is a feature of equality.
- 2 The answer lacks clarity and the candidate does not define equality as required by the mark scheme.

Mark for (a) = 1 out of 2

- 3 Profit is not a benefit of employing a diverse workforce (see mark scheme).
- 4 The benefit is making a wider range of products based on the differences in their workforce. The candidate shows an understanding of a diverse workforce and how that might apply to the business product.
- 5 Increase of market share and profit may not occur as the products can be made, but do not always sell.

Mark for (b) = 2 out of 3

## How the candidate could improve their answer

- **(a)** Although 'treated equally' was acceptable, the words 'fairly' or 'the same' would be better. The rest of the answer was confusing as it did not recognise that the stakeholders listed could not be treated with equality unless a discriminating factor such as age or gender, was referenced. There is no reason why managers and workers should be paid equally as they perform different jobs. A better answer might be, 'equality means everyone should be treated equally based on their ability and performance in a job role, rather than their race or gender'. Motivation and profitability are not relevant to a definition of equality.
- **(b)** To improve their answer, the candidate could have stated, 'A workforce containing different races and religions may have more ideas about products to manufacture. This could lead to a wider product portfolio which may appeal to different people in society and increase the number of customers.'

Example Candidate Response – low		Examiner comments
3.	a. Equality is when resources are equally split between all the involved stakeholders. It does not proportionally distribute income or resources but rather equally distribute it regardless of the level of input of a single stakeholder.	<p>1 The candidate does not answer the question based on the information given in the syllabus. They imply that equality involves financial resources being shared between stakeholders.</p> <p>Mark for (a) = 0 out of 2</p>
3	b. A diverse workforce includes employees from different races, cultures and backgrounds. This improves the company's image in the eyes of the public, increasing the sales of the business.	<p>2 This is a definition which is not needed in this answer.</p> <p>3 Although the improvement of image may be a benefit of having a diverse workforce, this is not explained.</p> <p>Mark for (b) = 1 out of 3</p>

### How the candidate could improve their answer

- **(a)** This question was based on the syllabus area 2.3.6 'Staff morale and welfare'. All definitions should be taken from recognised business textbooks or resources. In the mark scheme, terms such as 'fairness', 'no discrimination', 'treated the same' are used, alongside examples of groups of employees who might have low morale and welfare due to their different backgrounds, beliefs, and experiences.
- **(b)** The candidate had the basis of a good answer, but did not develop the pieces of information fully. A more successful response might state, 'a benefit to a business of employing a diverse workforce is that it can improve the company's image. Potential customers see that employees are from a mix of different races, cultures, and backgrounds. These customers may prefer to buy products from this business and sales will increase.'

### Common mistakes and guidance for candidates

- **(a)** Most candidates understood equality and could use appropriate terms within their definition. The examples in the middle and low scripts showed common mistakes and guidance.
- **(b)** Although most candidates understood what was meant by a diverse workforce and could give a good definition, this did not answer the question. Many candidates applied diversity of race, culture, religion, etc., but others considered age, experience, and qualifications which are other aspects of diversity. Candidates could have given a benefit of using the experience and skills of different workers, to help the business compete successfully by increasing productivity.

## Question 4

### Example Candidate Response – high

### Examiner comments

4.	Stakeholders are any individuals affected by, and therefore interested in, any actions by an organisation. <b>1</b>
<b>2</b>	Shareholders, for example, want the highest level of return possible for their investment in a firm. This would mean that they would pressure managers into increasing productivity as much as possible. However, this would conflict with employees as they won't possibly won't want to work harder if they are not motivated to do so. For the firm, this conflict could result in a fall of their share price and value, if the shareholders don't get their desired dividend level. Also, if managers increase working hours or to make productivity rise, this could
<b>3</b>	result in strike action with trade union involvement, creating a negative impact for
	the organisation, and possibly halting production overall; leading to a loss in profits and possibly the failure of the firm. Also, if the firm increases financial motivation like pay rises or bonuses, this will increase productivity, sales and therefore dividends but so both workers and shareholders would be happy but it would result in the rise of costs for the business.
<b>4</b>	

- 1** This definition is not required as the knowledge of different stakeholders is applied within the analysis.
- 2** The candidate identifies three stakeholders: shareholders, managers and employees.
- 3** This candidate identifies at least three ways that conflict may affect a business: industrial action, reduced profit, increased costs. Development of only one way is needed.
- 4** The application of conflict between stakeholders is developed well, showing the effect on all three stakeholders and how this will affect the business. The answer shows developed analysis that identifies connections between causes, impacts and consequences of all the relevant points identified. This continues into identifying how the actions taken by the business itself to resolve the conflict, will also have consequences.

Mark for AO1 = 1 out of 1

Mark for AO2 = 2 out of 2

Mark for AO3 = 2 out of 2

**Total mark awarded = 5 out of 5**

### How the candidate could improve their answer

This answer included more knowledge, application and analysis than could be rewarded using the mark scheme and it could not be improved. This was an extremely well-written answer.

Example Candidate Response – middle	Examiner comments
<p>4 Stakeholders are people that are related and gain benefit relating to the business.</p> <p>A Customer is a stakeholder that purchase goods from the business and give feedback. <b>1</b></p> <p>A Shareholder is also an example of stakeholders their aim is to gain maximum profit from the business, as if business have larger inflow their share will also increase (amount).</p> <p>The may Conflict may occur is the aims of the Stakeholders as they have their own benefit they want to obtain, Customer may want to reduce the selling price of the goods. This will conflict with the aim of shareholders. As if the selling price decreases and demand doesn't it's less likely to have a increase in market share therefore decrease <b>2</b></p> <p>It will affect the way business will make SMART <b>3</b> objectives as it will have to take into consideration of factors that may not benefit the business overall.</p>	<p><b>1</b> The first paragraph does not answer the question. The candidate gives a partial definition of stakeholders and a description of two different stakeholders. Some of it can be used within the application and analysis.</p> <p><b>2</b> Conflict is identified between shareholders and customers, but the development is not clear.</p> <p><b>3</b> Conflicting objectives is an effect on the business, but this is not written clearly.</p> <p>Mark for AO1 = 1 out of 1                      Mark for AO2 = 1 out of 2                      Mark for AO3 = 1 out of 2</p> <p><b>Total mark awarded = 3 out of 5</b></p>

### How the candidate could improve their answer

- Some of the information in the first paragraph could be used to develop the application and analysis more fully.
- The answer could be written more clearly, for example, 'One way that a conflict between customers and shareholders may affect a business is when setting appropriate objectives. An objective might be to gain maximum profits for shareholders by setting a high selling price for goods. If the business increases prices the sales might reduce as customers buy the products from a competitor. If the business decides to reduce the selling price of its products, the customer will be satisfied but shareholders will disagree as this reduces profits. The managers of the business will have to decide whether high profits or high sales are more important for the future success of the business.'

## Example Candidate Response – low

## Examiner comments

4)		stakeholders are people in the business. stakeholders
	1	are basically people who run the business. conflict between
	2	them can really affect the business. The status which the
	3	business used to have wouldn't be the same. People
		working with them will resign. <del>there will be a</del> The
		business will have to go through a loss. 4

1 The candidate shows a vague understanding of stakeholders as they consider them to be internal only and people who run the business to be owners or managers.

2 The candidate gives a vague comment on status.

3 People may resign as a result of conflict, but the candidate does not explain why.

4 The candidate does not analyse why there will be a loss.

Mark for AO1 = 1 out of 1

Mark for AO2 = 0 out of 2

Mark for AO3 = 0 out of 2

**Total mark awarded = 1 out of 5**

## How the candidate could improve their answer

The candidate could have focused their answer on internal stakeholders such as owners, managers, or employees. It is possible to have conflict between members of the same stakeholder group, e.g. between managers. In this case the candidate might have written, 'A conflict might occur between two managers in a business about how to motivate the employees. This may reduce the motivation of the employees. They may not be able to work with the managers and may resign. The business will then have the costs of recruiting more employees.'

## Common mistakes and guidance for candidates

- Most candidates began with a definition of a stakeholder. This was not required, although knowledge of stakeholders was required for application.
- Some candidates explained the different types of stakeholders in detail without answering the question. For some candidates, the time taken to show this knowledge prevented them from completing all the questions in the paper.
- Some candidates continue to confuse the terms 'stakeholders' and 'shareholders' which led to some candidates not answering the question correctly. Candidates must be aware that shareholders are only one type of stakeholder.
- There needed to be a reasoned analysis of what the effect on the business is and what this means for the business, now and possibly in the future.



## Question 5(a)

### Example Candidate Response – high

5.	a)	government grants is an external source of finance paid to businesses, <del>it</del> usually small businesses who aim to benefit the community along with gaining profit. government grants are usually given to social enterprises or small business that may
		<b>1</b> find it difficult to gain finance elsewhere due to insignificant of profit motive. Other external sources of finance include bank loans, mortgages, hire purchase, venture capitalist etc. Using government grants have many benefits including.
		firstly, the cost is very low because they do NOT have to be repayed <del>or</del> which indicates there is no interest rate. this significantly reduces the risk of borrowing and businesses are at ease as theres no debt if the business fails as a result, employees are less stressed which may allow them to focus on
		their targets <del>more</del> and work towards it more effeciently which leads to increased revenue, which this leads to higher profits for the business, <del>along with more</del> However, the business must keep its social objective in mind so it cannot
		behave unethically <del>and</del> by paying minimum wage to workers, and it may help the local community by <del>increasing</del> providing opportunities for employment. this may lead to increased cost of labour which has an impact on overall
		cost of production causing it to increase which may result
		<b>5</b> in lower profit for the business.
		Secondly, with the provision of government grants a business is most likely to retain control of the business. Unlike
		<del>the</del> issuing of shares in a <del>pr</del> public limited company which may lead to more than 50% of shares being sold resulting in the original owner losing control of the business. keeping control of the business. increases <del>effors</del> efforts of the owner of the business to become a better leading, so, the owner

### Examiner comments

- 1** A definition of government grants and / or sources of finance is not necessary. In this case, the information is relevant to the grant being given to a social enterprise. Providing finance when it is difficult to obtain elsewhere is a relevant benefit.
- 2** Not having to repay the grant and no interest being charged are two separate benefits. The candidate uses both to analyse the benefit of grants being a low-cost source of finance.
- 3** The application and analysis of this benefit develops through reduced risk because there is no debt. The business can therefore focus on its targets.
- 4** Further development considers how the business can focus on its social objectives.
- 5** The developed analysis balances ethics, cost, and profitability which can all be considered because a government grant is a low-cost source of finance.
- 6** The second benefit is that using a government grant allows the original owner to retain control, rather than losing control by selling shares.

## Example Candidate Response – high, continued

## Examiner comments

		motivates employees and managers by setting clear objectives to work towards. This leads to increased motivation of employees as they have clear set target to work towards and may receive feedback from managers further improving their performance. moreover, increased motivation leads to higher productivity and rise in customer service as employees tent to customers individual needs. This results in increased customer loyalty which may help business to acheive long term success. 7
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7 This retention of control is applied and analysed with the focus on leadership, objectives, motivation, productivity, customer service and loyalty, and long-term success.

Mark for AO1 = 2 out of 2

Mark for AO2 = 2 out of 2

Mark for AO3 = 4 out of 4

**Total mark awarded = 8 out of 8**

## How the candidate could improve their answer

This was a strong answer which was written and developed in a mature way. To improve their first benefit, the candidate could have clearly stated that the government grant may be given to support small social enterprises struggling to operate ethically. Operating ethically can increase costs. The grant would not create as much risk to the business as other sources of finance. Banks would expect the loan to be repaid with interest. The application to the cost of labour would then flow on from this.

Example Candidate Response – middle

Examiner comments

Q5 (a)	<p>Finance is the money business needs to buy assets and pay for expenses. There are many internal &amp; external sources of finance. Government grants refers to subsidies or grants given</p> <p>1 by government usually to small business to grow &amp; expand and face competition.</p> <p>2 Government grant will not involve any cost of repayment of interest of any sort, which will not only help business increase its cashflow in short-term but also not face any liabilities in the future which could affect its liquidity</p> <p>3 position and bring cashflow</p> <p>&amp; cash management problems in the business which could lead to business not being able to manage or pay back its debts and eventually would have to liquidate the business and close the business.</p> <p>4</p> <p>Secondly, business that have <sup>has</sup> government grants a source of finance will</p> <p>5 have no risk of its personal assets being seized, as opposed to other <sup>external</sup> sources like bank loan where personal assets are set as security for loans. Since there is no repayment business <sup>owners</sup> have have no risk to <del>it</del> their personal assets, which can be used by them</p> <p>6 to finance business in the future if need be, and grow its operations</p> <p>7 to compete in the market.</p>
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1 The first paragraph describes finance. The candidate is awarded marks for giving the benefits of government grants to a business.

2 The first benefit is no cost of repayment or interest.

3 The candidate applies their answer to the business context by relating it to improving cash management.

4 The candidate's development of the analysis is limited to paying back debts and having to liquidate the business.

5 The second benefit is not having to risk using personal assets as collateral to get a bank loan.

6 The candidate applies this point to a business context when they refer to using assets as a future source of finance.

7 The candidate's development of the analysis is limited.

Mark for AO1 = 2 out of 2

Mark for AO2 = 2 out of 2

Mark for AO3 = 2 out of 4

**Total mark awarded = 6 out of 8**



## How the candidate could improve their answer

- Both benefits given by the candidate lacked the development of the connections between causes, impacts, and / or consequences of the benefit.
- For benefit 1, there was no cost of repayment. There needed to be more clarity in the application and analysis. One way of doing this would be to say, 'the grant is finance coming into the business which could be used to buy assets. These assets might increase production and sales. This would bring additional revenue into the business. This will increase the cash inflow and the working capital. Therefore, the business will be able to pay current liabilities such as suppliers and the business can operate successfully.'
- To improve benefit 2, the candidate could have rearranged their answer to begin with the benefit. For example, 'the business owner would not have to risk giving their personal assets as security for the grant. If they chose a loan from a bank as the source of finance, they might have to offer collateral in case they could not repay the debt. The owner might have used their own money to buy assets for the business such as tools and machinery. If they did not repay the loan the bank might take these assets. Therefore, the business could no longer operate and would have to close. Using government grants there is no risk of losing assets so the business might be able to produce and sell more products and expand within the market.'

### Example Candidate Response – low

### Examiner comments

5	<p>a) A government grant is an external source of finance given to a business that the government can benefit from it. It is normally inside the secondary sector industry. A benefit to it is you ask for a grant and you don't have to pay it back and it does not have interest. Another benefit is you can ask for a grant as many times as you want. Normally businesses ask for grants when they need money. Governments give grants for example when they want to export fruits and vegetables so they give a grant to farmers so they grow more. Another example is they want to be become number one cotton exporters, they will give grants to grow and extract more cotton. Grants are beneficial for the secondary sector as they don't have to pay it back but they have to compensate the government for it so for a business which does not operate in the secondary sector is much harder to get a grant.</p>
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**1** Two benefits to a business are that the grant does not have to be paid back and there is no interest. This is continued later in the answer.

**2** The candidate applies their answer by referring to using a subsidy to support primary sector businesses wanting to increase production. The businesses ask for grants because they need money. This is the section which answers the question and can be awarded marks.

**3** The candidate refers again to not paying back the grant, but this is confused and states the secondary sector.

Mark for AO1 = 1 out of 2

Mark for AO2 = 1 out of 2

Mark for AO3 = 1 out of 4

**Total mark awarded = 3 out of 8**

### How the candidate could improve their answer

- The candidate shows incomplete knowledge of grants which limited the marks they could be awarded. To improve, they needed to focus on two benefits and develop these. The confusion over primary sector application and only the secondary sector being able to get a grant, weakened the answer.
- To improve the development in the middle section of the answer, the candidate might have clarified their reasoning. For example, 'Grants and/or subsidies can be given by the government to small primary sector businesses which find it difficult to raise finance elsewhere. The grants can help farmers to improve productivity, e.g. by being able to afford more land or employ more workers. These businesses, such as fruit and vegetable growers or producers of cotton, can then produce enough goods to export to other countries. This means that the farmers can increase revenue and possibly expand.'
- The second benefit could be made up from the first and last sections of the answer. For example, 'A benefit of a government grant is that it does not have to be paid back and there is no interest charged. A business in the secondary sector could use the grant to buy fixed assets. This can increase the production, sales, and revenue of the business. There are no repayment costs for the grant. If revenue increases more than expenses the business might make more profit. The profit could help the business to become more successful and expand.'

### Common mistakes and guidance for candidates

- The question asked for two benefits to a business of government grants as a source of finance. There were 4 marks available for each benefit: AO1 Knowledge (1 mark), AO2 Application (1 mark) and AO3 Analysis (2 marks).
- Candidates should clearly state and develop one benefit, and then state and develop the second benefit. There was no need for a definition of internal / external finance as this was not required to answer the question. The answer could lack clarity if the two benefits were not discussed separately.
- Candidates could apply their answers by using a business example to describe how the benefit would work. Examples of this are included in the mark scheme and shown above.
- Analysis should explain how the benefit would improve the operation of the business, e.g. growth, productivity, reputation, profitability. This analysis must develop connections, impacts and consequences of the benefit.

## Question 5(b)

### Example Candidate Response – high

### Examiner comments

5	b)	<p>Failure of a business is dependent on several internal and external factors; which can cause a small retailer having limited finance, number of workers; market share and revenue to illiquidate.</p> <p>Working capital is the difference between current assets and current liabilities which is the cash available for day-to-day operations of a business. A tertiary sector business purchasing and selling goods regularly has immense importance of cash. Poor management of cashflow by high inventory, high receivables and low payables can cause the business to illiquidate. If the owner of the small scale business is unable to pay suppliers of inventory on time relations can be damaged and suppliers can be reluctant to provide inventory. Without sufficient stock an intermediary retailer will be unable to sold goods to customers. Loyal customers may shift to rival brands causing the business sales to decline altogether. This can force the business to</p>
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1 Although the first paragraph is not necessary it does show that the candidate is focused on failure of a business, which is part of the question.

2 The candidate shows developed knowledge of working capital throughout the essay and is therefore awarded 2 Level 2 marks for this.

3 The candidate applies their answer to the context of a retailer to some extent, with the recognition that they exist in the tertiary sector and purchase and sell goods regularly. The candidate also mentions a small-scale business within this paragraph.

4 The candidate gives a strong, developed analysis of the effect of poor management of working capital on the ability to pay suppliers and retain customers.

Example Candidate Response – high, continued

Examiner comments

5 declare bankruptcy if it is unable to clear of its debts. This internal reason depends largely on the ability of entrepreneur to produce accurate cash flow forecasts to plan ahead for cash deficit. If the entrepreneur has necessary to manage working capital effectively this reason would not be significant.

6 The success of a business is largely dependant on its competitors as a small business may be threatened by its rivals in the market. Since, the competitors purchase in bulk they enjoy from economise of scale which reduces cost of sales and increase profits. A large retailers can easily undercut the small firm by offering sales promotion techniques such as discounts or BOGOF. If the competitor lure all potential customers it would be difficult for the small firm to sell products as it can not afford costly promotion techniques.

7 This external reason of failure is only significant if there is a large competitor or a new better competitor enter the market, as the small business can not compete against retail chains such as Target or Walmart making failure inevitable.

Additionally, a business can fail due to incompetence and inabilities of its entrepreneur. If the entrepreneur is not multi-skilled, innovative and risk taking the business facing several problems can fail if wrong decisions

5 The candidate makes a judgement that a skilled entrepreneur will be able to effectively manage inventory, which is part of working capital management. If this is the case, the small retailer is unlikely to fail.

6 The candidate begins to consider the influence of competitors as a likely reason for failure of the small retailer. They give a strong analysis within this paragraph, although the Level 2 analysis marks have already been awarded. There is some balance here with the judgement that success is 'largely dependent' on competitors.

7 The candidate gives a limited evaluation in the final sentence, '... is only significant if ...'. The candidate is awarded Level 2 marks for developed application when they refer to a small retailer being unable to compete against retail chains.

## Example Candidate Response – high, continued

## Examiner comments

	<p>is unable to identify market opportunities to enhance sales in order to maximise profits, it would allow competitors to gain a competitive advantage. An inexperienced individual lacking entrepreneurial skills can not operate <del>a business at large or small</del> <sup>business</sup>. Since, a small business do not have necessary finance to hire specialist staff all responsibilities are on the owner and if the owner is incompetent the business will fail regardless of any other internal or external factors. However, if the entrepreneur is skilled they will be able to bounce back after any set up back allowing the business to flourish.</p>	8
9	<p>Failure of a business is a Multifactor variable which does not depend on a singular reason. So a business can reach decline in its lifecycle due to a combination of external and internal reasons: depending on the skills of the entrepreneur, competitive conditions, government policies, management and working capital. Management of working capital is vital for survival of a business to allow the retailer to purchase buffer inventory.</p>	10
	<p>But it would only be significant if the entrepreneur is skilled enough to set up establish the business successfully in the first place. Therefore, the most likely reason for failure is inability of entrepreneur to properly manage business operations, followed by other external and internal reasons.</p>	11

8 The candidate makes a judgement that if working capital is not available to hire specialist staff and the owner is incompetent, then the business is likely to fail.

9 The candidate continues to develop their judgement in the first half of the final paragraph, in addition to that given previously. This is not just a repeat of what has been said before.

10 The candidate makes additional developed evaluative comments which balance some key arguments regarding the most likely reasons for business failure.

11 The final sentence gives a brief but direct final answer to the question.

Mark for AO1 = 2 out of 2

Mark for AO2 = 2 out of 2

Mark for AO3 = 2 out of 2

Mark for AO4 = 4 out of 6

**Total mark awarded = 10 out of 12**

## How the candidate could improve their answer

- The candidate did not include any reference to the context of a small retailer within the evaluation itself, so was restricted to receive Level 2 marks for evaluation.
- Examples of how the context could be included within the final paragraph might be, 'It is vital that a small clothing retailer has enough working capital to purchase buffer inventory to meet increased demand at certain times of the year, e.g. t-shirts in summer and coats in winter.'



Example Candidate Response – middle

Examiner comments

5 (b) Small retail business is most likely to be one with few employees and smaller setup that targets a local ~~area~~ market. Working capital is the finance required for day to day running of a business that is also referred to as current assets less current liabilities.

for a small retailer that are common in local markets & may not be able to thrive due to poor management of working capital. ~~to~~ ~~ex~~ To illustrate this, we have heard that 'ca' business wasn't able to survive as it got bankrupt due to debts & or cash shortages, this is when they fail to manage their working capitals. They are not able to keep sufficient cash in the business and result in failure. for instance they ~~a~~ business may not be able to receive payments from receivable on time through interest or discounts on time, this results in lock of cash available when the business have to pay of its payables resulting in problems. Similarly, it may have too much loans taken out and paying interests on them without checking that it doesnot have liquid assets for producing cash against them. So poor management ~~of~~ it assets and liabilities (working capital) the business may fail to survive.

However, there are more reasons that can cause a failure for small retailer. Small retail is easier to establish due to less requirement of capital investment but this means that others would also do it. Competition from other small retailers may drive business out of the market. In reality, local markets donot have only one business controlling it, there are many others doing the same, if the small retailer is not able to develop unique selling point to attract customers or not carry out market research to improve their business, competitors will do it, ~~and~~ ~~to~~ ~~be~~ causing losses for retailers and ultimately leading to closure. This means that business needs to develop it retailing strategies according to the market conditions in order to survive.

- 1 The candidate offers limited relevant application.
- 2 The candidate demonstrates an incomplete knowledge of working capital.
- 3 The candidate gives a limited analysis of poor management of working capital leading to cash shortages.
- 4 The candidate shows a developed knowledge of management of working capital but offers a limited analysis in this paragraph.
- 5 The candidate starts to consider other reasons for business failure.
- 6 The candidate identifies 'small', 'local' and 'less need for capital investment', which could all be developed into application.
- 7 The candidate gives a developed Level 2 analysis, based on the threat of competition.

## Example Candidate Response – middle, continued

## Examiner comments

and external

Moving on, there are internal factors that may lead to failure of a small retailing business, it depends on the size of the business, the market it's operating in and its objectives. A small business is prone towards external factors like competition, so it needs to do setup its objectives and research in a way to avoid the failure problems. The market business is operating in also causes failure as there more retailing business that are developed on large scales, but these are all the external influences, if a business in this a case a retailer is not able to manage its internal problems like working capital management then its most likely to become a cause of its failure.

8

8

The final paragraph introduces setting the correct objectives and adapting to market changes as reasons for failure, but these are not developed. The candidate gives a limited Level 1 evaluation. They try to balance whether working capital management or external factors cause business failure. They offer a judgement with limited supporting comment that working capital management is most likely to be a cause of failure.

Mark for AO1 = 2 out of 2

Mark for AO2 = 1 out of 2

Mark for AO3 = 2 out of 2

Mark for AO4 = 2 out of 6

**Total mark awarded = 7 out of 12**

### How the candidate could improve their answer

- To be awarded both developed application marks, the candidate should have referred specifically to a retailer, rather than only a small local business. This might have involved the use of terms such as stores, named retailers or the types of products sold directly to consumers, e.g. freshly baked bread.
- The candidate needed to give a developed Level 2 evaluation, rather than limited and unsupported comments. For example, 'It is very important for a small retail shop to set sensible short-term objectives such as survival when it is competing against large and established chain stores. A small retailer should spend money on employing workers with good customer service skills to help increase revenue. This would improve the working capital. If the business reduced prices to compete with larger retailers this would reduce working capital and the business might fail because it does not have enough available finance to pay its day-to-day expenses. Survival can only be guaranteed if working capital is managed well.'

Example Candidate Response – low

Examiner comments

5) (b) Small retailers type of business with under 50 employees, they tend to remain small. Working capital mean paying for day to day cost or expenses incurred by a business. for example - stationery bought, food or snack bought everyday for ~~small~~ employees. This is what a working capital means.

1

Firstly, maintaing poor working capital for a small business could lead to failure, as they have to record day to day expenses as this gives idea to a business on how much cash is coming in to business and how much cash is going out. Secondly, if a business does not manage its working capital properly they will not know the expenses ~~incured~~ incurred and if they have poor management there can be a chance that investor might not invest into business as they can't manage their working capital. working capital is paid in means of cash.

2

On other hand, maintning a poor ~~statement~~ working capital doesn't decide if a business is having more expenses. Small businesses could also fail due to lack of experience as if the owner is not experience, there will be noone to guide the employees, lack of capital is a second reason a small retailer could fail as if the business ~~had poor~~ ~~suppli~~ has to pay supplier if no money the supplier would also stop supplying, also lack of finance means workers

3

1 The candidate demonstrates a limited knowledge of working capital, which is developed later in the answer.

2 The candidate offers no development of the points they make in this paragraph, so cannot be awarded a mark for analysis.

3 The candidate introduces 'lack of experience' and 'capital' as other reasons for failure of a business. This gives balance to the answer.



Example Candidate Response – low, continued	Examiner comments
<p>4 are not paid properly, if they are not paid properly they will be demotivated which will lead to less production, and business could fail because of it.</p>	<p>4 The candidate offers a limited analysis on the lack of (working) capital to pay the employees.</p>
<p>5 Lastly, in my opinion that the most likely reason a small business could fail is lack of capital as they would need capital for expenses, also owners experience is the main <del>part</del> <sup>reason</sup> a business could fail if the owner gets demotivated and does not know how to <del>operate</del> operate business this could lead to a great set back for business as the owner is not risk taker, innovative also the workers will not have any clue on <del>how</del> what to do. So I think that poor management of working capital is not a main reason for a small retailer to fail. and in my opinion owners experience is</p>	<p>5 The candidate starts to make evaluative comments, but contradicts themself during this paragraph. At first the most likely reason is lack of capital, but later the owner's experience is the main reason. The section on owner's experience is a repeat of the analysis in the previous paragraph.</p>
<p>6 the most likely reason a business small business could fail</p>	<p>6 The candidate offers a final judgement in the last sentence, but it is not developed enough to move out of Level 1.</p>
<p>Mark for AO1 = 2 out of 2                  Mark for AO2 = 0 out of 2                  Mark for AO3 = 1 out of 2                  Mark for AO4 = 1 out of 6    <b>Total mark awarded = 4 out of 12</b></p>	

### How the candidate could improve their answer

- The candidate needed to apply their answer to a retail business, e.g. a shop providing good customer service.
- Developed analysis must follow a chain of reasoning through several stages. An example of how the candidate might have improved the analysis for comment 4 is, 'Poor management of working capital might mean that the business does not have the available finance to pay the workers properly. If they are not paid properly, they may be demotivated and might work more slowly or make more mistakes. This could lead to less production and without products to sell the business would have less revenue, which could cause them to fail.'
- To improve their evaluation, the candidate could have offered developed balanced comments and a developed judgement. If possible, these should be given in the context of a small retailer.

### Common mistakes and guidance for candidates

- The application marks were difficult for some candidates to earn as they wrote a general answer which could apply to any business, whether primary, secondary, or tertiary. Many candidates were more familiar and confident with application to a manufacturing business than a retail business.
- The candidate must refer to operations that a retailer is more likely to carry out than any other type of business. These might include merchandising within the shop or store, the importance of sales staff and customer service, the use of examples of retail business or the types of products that they sell (clothes not fabric), the use of home delivery, and attractive packaging as ways of competing within the market.

- Some candidates referred to location, which was acceptable as application if it was obvious that this would help customers to access the store rather than for raw materials to be delivered to the business.
- The best way to improve analysis in for this question would be to follow a chain of reasoning as far as it will go, no matter how many stages this takes. Candidates should avoid missing out stages. For example, it is not analysis to say that selling more means profits will increase because this does not explain why. For a clear analysis, the sentence should read, 'If a business sells more products without reducing the price of those products, then the revenue will increase. If the costs of the business stay the same, even though more products are being sold, then there could be an increase in profit.'
- Evaluation was assessed only in **5(b)** and **6(b)** and is a skill which many candidates find difficult. There is still analysis within a good evaluation (see the example of how the candidate above could improve their evaluation). Candidates needed to include balanced comments, which often use words such as 'vital', 'very important' and 'essential', and there should be a judgement to answer the question. In this case, the evaluation should identify the most likely reason for the failure of a small retailer. There must be a comment on the importance of working capital management and a clear judgement of whether this is the most likely reason for failure or whether it is something else.

## Question 6(a)

### Example Candidate Response – high

### Examiner comments

e a A USP or a unique selling <sup>proposition</sup> ~~point~~ is a feature or quality that a certain product or business has that differentiates it from the competitors. Having a USP brings many advantages to a business.

Firstly, having a USP means having a quality or feature that the competitor lacks. <sup>this creates a brand image for the business of being better and different.</sup>

1 For example, Apple has a USP of exclusivity and innovation. As a result, the business can

2 charge prices that are higher than those of the competitors as price elasticity of demand is low with products offering a USP.

3 This results in higher revenue for the business.

4 Secondly, a business can use the USP as a marketing tool and can heavily promote the USP. For example, Domino's Pizza's USP was to deliver pizza under 30 minutes or it is free. This attracts customers to buy the product and hence creates customer loyalty as they make repeated purchases. This increases the market share of the business and may

5 make it the market leader. Thus, even though Domino's Pizza serves pizza no different than the competitors, its USP can create <sup>a</sup> ~~an~~ <sup>perception</sup> ~~image~~ of the business as being better than the competitors.

- 1 The candidate applies their answer to Apple, which is a good choice of business to explain the benefit made. It is not necessary to name a real business. The point can be explained for the benefit which any business might gain. For example, in this sentence the word Apple could be removed, and the application would still be there.
- 2 The benefit to the business is being able to charge high prices due to the brand image.
- 3 The candidate offers a developed analysis and identifies that even when charging higher prices than competitors, a strong brand image keeps price elasticity of demand low and therefore there is higher revenue.
- 4 The second point is use of a USP in marketing with application to Domino's Pizza.
- 5 The candidate develops their application into an extremely strong analysis.

Mark for AO1 = 2 out of 2

Mark for AO2 = 2 out of 2

Mark for AO3 = 4 out of 4

**Total mark awarded = 8 out of 8**

### How the candidate could improve their answer

The candidate could have strengthened the first point of their analysis by inserting, 'therefore customers are still willing to buy the product at this high price' after stating that PED is low. This would show that the candidate fully understands PED. However, the analysis was still Level 2 without the extra comment.

Example Candidate Response – middle

Examiner comments

6	(A)	<p>Unique selling point is identifying a speciality in a product which cannot be detected in a competitor's product. A product could be modified in a way which the competitor would not be able to grab. Therefore customers might demand for the product with the unique selling point.</p> <p>If a certain car manufacturing business decides to produce / make a car which has a unique feature the other competing car businesses do not more customers might demand that particular product.</p> <p>Assuming the car has a</p> <p>Assuming company 'A' is installing a booster indicator to the cars in that firm, but other companies who are competing such as company 'B' &amp; 'C' do not have such thing more customers would prefer the business with that has that unique selling point. Therefore one of the benefits that business would have is the customers preference, which will lead to high demand.</p> <p>As a result of this, the business might benefit in another way by receiving high revenue. Since the customers preference has risen more demand will be seen for that product with the unique selling point. As therefore</p> <p>Therefore, business / company 'A' is benefitting in a way that other competing businesses cannot achieve.</p>
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1 The candidate gives a very detailed answer, but only analyses one benefit; increasing customer demand.

2 The candidate gives an excellent application of this benefit using car manufacturing, but there is only one application mark available for each benefit.

3 The candidate identifies a second benefit of receiving high revenue, but this benefit is used within the analysis relating to the first benefit. It can therefore be rewarded as knowledge only.

Mark for AO1 = 2 out of 2

Mark for AO2 = 1 out of 2

Mark for AO3 = 2 out of 4

**Total mark awarded = 5 out of 8**

How the candidate could improve their answer

- The candidate should have clearly identified benefit 1 and benefit 2 and could have used the same application in different ways, leading to separate factors being analysed for both benefits Their answers could have been improved as shown below.
- First benefit – attracting customers. 'A car manufacturer might install a booster seat in a car, a feature which no other company has, therefore this is a USP. Customers with young children may prefer to buy this car rather than competitors' cars. The rival cars may have other features such as a sunroof, but nothing targeted at families with young children. This USP attracts customers away from competing businesses and therefore might increase the number of customers and the market share of the business.'
- Second benefit – higher revenue. 'The USP for the car manufacturer might be that it produces electric cars as part of its range. If this car is not available from any other car manufacturer, then customers who are concerned about pollution will have to buy electric cars from the only business which sells them. The business can charge a high price for the cars because the USP matters more to the customers than the price. The high price combined with increasing demand leads to higher revenue being earned by the business.'



**Example Candidate Response – low**

**Examiner comments**

6	a	unique selling point (USP) is the unique feature or any <del>unique</del> factor of the product that is different from its
		<b>1</b> competitors or <del>does not have</del> and with that gives our product <sup>to become</sup> a
		unique one a unique one. The benefits to a business of
		having a unique selling point is that it could be the factor
		<b>2</b> <b>3</b> to attract more customer because of of the marketing technique
		to attract customer because our product is the only one and with
		that it will increase the total number of sales and gives the
		business more or high profit from it. <b>4</b>

- 1** The candidate starts with a definition of USP, which is not required for this question.
  - 2** The candidate identifies one benefit of having a USP as 'to attract more customers'. They only give one benefit in this answer, so a maximum of 4 marks can be awarded.
  - 3** The candidate applies their answer to the USP acting as a marketing technique, attracting more customers because the product is the only one.
  - 4** The attempt at analysis regarding the benefit to the business, 'it will increase the total number of sales and gives the business more or high profit', is not successful. A USP does not guarantee this. The candidate has made an assumption, but not explained why, therefore it is not analysis.
- Mark for AO1 = 1 out of 2  
 Mark for AO2 = 1 out of 2  
 Mark for AO3 = 0 out of 4
- Total mark awarded = 2 out of 8**

**How the candidate could improve their answer**

- The candidate could have used parts of the definition to explain why the USP can act as a marketing technique. An example of this might be, 'A benefit to a business of having a unique selling point is that it might attract more customers. The business can use the USP as a marketing technique and this might attract customers away from competitors. This is because the USP is unique and this is the only business which sells it.'
- The candidate offered an application in their answer because it explained the effect of the USP on the customers, how it works, not the benefits to the business.
- Analysis would be to how the attraction of more customers might benefit the business. An example of this might be, 'If customers buy the product with the USP from this business, then its sales will increase and those of its competitors might fall. The business will get more revenue from this product. If the increased revenue is higher than any increase in costs the business will make more profit. It could use this profit to expand the business and become more competitive in the market.'
- To be awarded more than 4 marks, the candidate needed to analyse a second benefit, examples of which are shown in the mark scheme and in the high and middle scripts on pages 31 and 32.

## Common mistakes and guidance for candidates

- Candidates were knowledgeable about the meaning of USP and could give detailed examples. For each benefit the mark allocation gives 1 mark for knowledge, 1 mark for application and 2 marks for analysis. Candidates needed to be able to develop the reason each benefit would help a business. Many candidates gave detailed explanations of what a USP is, but this did not answer the question.
- The AO1 knowledge marks were given for the benefits, e.g. customer attraction, premium pricing or creating brand loyalty. Two separate benefits were needed, and candidates could be awarded a maximum of 4 marks for each benefit.
- Application could be to a real business (Domino's), a specific type of business (car manufacturer) or a business in general. The application part of the answer should explain how this benefit might be seen in the business or how it affects the customers. For example, 'A business with a USP of advanced technology in its products may be able to set a premium price as these products will be the first ones of this type on the market.'
- The example of technology, above, is not analysis because it has not been developed into how the business benefits from this premium price. The analysis might be that, 'Customers are prepared to pay a high price for products with advanced technology because they are buying a product which most other people do not own. This means that the business can gain high revenue from each product sold. There is high added value which allows the business to pay for the research and development of the product as well as having a high profit margin. This will help the business to continue to develop new products or to expand the business.'

## Question 6(b)

## Example Candidate Response – high

## Examiner comments

6	b	<p>Marketing refers to using different methods and techniques such as advertisement media and word of mouth <sup>or business</sup> newspapers to make a product known to a customer, remind them of its existence and persuade the customer to buy from a business.</p> <p>A new coffee shop will have to carry out adequate advertisement such as to make the business known to customers. Informative advertisement is crucial to this stage of the business. These may include flyers <sup>or newspapers</sup> since it is a new business and may not be able to afford broadcast advertisement. The business can make the flyers attractive and mention its location, name and pictures of the restaurant from the inside etc to make the customers familiar with the business. Search Engine advertisement may be used for the business to appear in among the first coffee shops when searched on food delivery apps or the internet. However, this depends on if the <del>get</del> <sup>substantiate</sup> business has adequate finances to <del>assist</del> these procedures.</p>
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1 The candidate's knowledge of marketing moves beyond a definition and uses the knowledge within the context of the question. They are awarded the AO1 Level 2 marks.

2 This is the first application, but is not developed.

Example Candidate Response – high, continued

Examiner comments

The coffee shop may also ~~to~~ make special offers such as buy one get one free to persuade customers to try the products. If they like the products, they will eventually become loyal and returning customers of the business. However ~~that~~ these offers may lead to customers trying the business just to ~~avail~~ <sup>avail</sup> the offer which does not create ~~brand~~ <sup>customer</sup> loyalty. Hence, it is clear that ~~informative~~ <sup>marketing</sup> advertising and ~~is~~ <sup>is</sup> crucial to the coffee shops, since no matter ~~how~~ <sup>success</sup> good the food or ambience is, no one will come unless they are aware of the existence of the business. 3

On the other hand, although marketing is crucial to ~~a~~ the coffee shop, other factors 4 such as ~~adequate~~ <sup>adequate</sup> ~~cash~~ <sup>capital</sup> ~~flows~~ may be just as important. The business needs working capital for the day to day expenses such as buying new milk, 5 coffee beans, fresh produce as well as paying wages and utility bills. Without the arrangement of adequate cash flow through internal or external sources, the business will not be able to serve its customers which will lead to its failure.

~~Quality of products~~ Another vital factor leading to success of the coffee shop will be the manager's abilities as well as management styles. The manager has to ensure that targets are being met, quality of the food is good and that there is efficiency in service and production to maintain happy customers. All of this has to be done while 6 maintaining the appropriate management style which will keep staff happy. In the case of the coffee shop, democratic leadership is more appropriate.

3 The candidate's analysis ends in a judgement that advertising is more important than the product itself. This is AO3 Level 2 standard and limited AO4 in context.

4 The candidate makes a balanced, evaluative comment beginning with capital being as important as marketing. This is an example of AO4.

5 The candidate's application is more developed and can be awarded AO2 Level 2 marks.

6 The analysis of management ability and style is developed as another factor affecting success. The candidate has already been awarded maximum AO3 marks.



Example Candidate Response – high, continued	Examiner comments
<p>In conclusion, although marketing is vital to success of the coffee shop, it cannot be carried out unless the business has sufficient capital to source the promotion. Hence, proper amount of capital is the most important factor in the success of the coffee shop and it may be responsible for arranging all other factors leading to success of the business such as <sup>sufficient</sup> efficient inventory holdings, adequate salaries and wages and also marketing. Without capital, business cannot survive.</p>	<p><b>7</b> This final paragraph is a strong, developed AO4 judgement and balanced evaluative comment, but is not applied to the context so the candidate is awarded 4 marks in Level 2. The Level 3 AO4 mark is awarded at comment 3 above where the candidate makes a clear judgement in the context of a coffee shop.</p> <p>Mark for AO1 = 2 out of 2            Mark for AO2 = 2 out of 2            Mark for AO3 = 2 out of 2            Mark for AO4 = 5 out of 6</p> <p><b>Total mark awarded = 11 out of 12</b></p>

### How the candidate could improve their answer

To earn the final Level 3 AO4 mark, the candidate needed to develop the evaluative comments and judgements in the final paragraph in context, for example, ‘... marketing is vital to success of the coffee shop because it is new and must source the promotion because it is in competition with other large coffee chains such as Starbucks... capital is the most important factor in the success of the coffee shop since it is needed to buy sufficient inventory of coffee beans and milk, as well as assets such as a coffee machine and cups. Without the capital to buy these the coffee shop cannot operate and survive.’

Example Candidate Response – middle

Examiner comments

6	b.	Marketing is the use of 4P's <del>eff</del> in a effective way. which include Product, Price, Promotion and Place.
		To set up a new business it is recommended to conduct market research to identify business gaps, competitors, the demand etc. For a new coffee shop it is essential that it conducts market research to see what type of coffee is largely preferred by consumers whether it is latte's or Americana's etc. So it can figure out which type of product they want to sell and how will it differentiate itself from it competitors. Secondly through market research a coffee shop can figure out the prices that are being charged by other coffee shops to set a price for their own coffee which will not only cover up their production costs but also remain competitive with the other businesses. Through market research the coffee shop owner can figure out which area is best suitable location for its shop. A area where not much coffee shops are located as <del>it</del> there will be less competition around. A area where people highly prefer coffee for instance near a college campus.
		Secondly marketing requires promotion. A new coffee shop should have effective promotional techniques so <del>basics</del> people know that it exists and what it offers. It can use digital promotion through social media ads or discount codes. It can use <del>print</del> televisions as they are

1 The 4Ps are used to attract customers, but are not a definition of marketing. Paragraph 2 demonstrates the candidate's knowledge of using market research to identify consumer demands and competition. This is AO1 Level 2 developed knowledge.

2 Reference to types of coffee preferred by consumers is context. Choosing an appropriate location to target students is also relevant but is not strong. The candidate's point is developed enough to be awarded Level 2 AO2 marks.

3 The candidate offers several relevant statements in this essay showing limited analysis as they are not fully reasoned. They are awarded the AO3 Level 1 mark.

Example Candidate Response – middle, continued	Examiner comments
<p>seen by a wider population. It can give out vouchers to students with discount offers so they are willing to try their coffee shop and might turn into loyal customers.</p>	
<p>With all this it is important for a new coffee shop to have good HR management. The staff that is recruited and selected are good at their job. Hence other departments <del>so</del> are equally <b>4</b> important. And should be effectively man.</p>	<p><b>4</b> The candidate makes an attempt to balance the argument with reference to HR management, but this is limited. They offer a limited judgement that other departments are equally important, but this is not developed so AO4 Level 1 judgement is awarded.</p>
	<p>Mark for AO1 = 2 out of 2                      Mark for AO2 = 2 out of 2                      Mark for AO3 = 1 out of 2                      Mark for AO4 = 2 out of 6</p> <p><b>Total mark awarded = 7 out of 12</b></p>

### How the candidate could improve their answer

- The candidate could have strengthened their comments in context for AO2 by saying that students near a college campus might often visit coffee shops during the day to have a drink and a sandwich or cake before continuing with their studies.
- To develop AO3 analysis, the candidate should have continued their chain of reasoning. For example, when discussing the pricing, the candidate could develop this by saying, 'Market research can find out the prices being charged by other coffee shops in the area. The new coffee shop may try to charge lower prices to make them competitive. They could research what their target market is prepared to pay, such as students may want lower prices. The coffee shop could then set a price which can attract customers and encourage them to be loyal. This price must also cover the production costs. In this way the business will be able to survive and make some profit, even in a competitive market'.
- The candidate could have improved their AO4 evaluation (balance) by developing the comment of good HR management being important. For example, 'This means that baristas could be recruited who are good at serving customers which will improve their buying experience. This could encourage customers to visit more often and become loyal. This would increase demand and revenue for the business. This is very important is the coffee shop is going to survive in the long run.'
- The final judgement would then decide whether marketing or HR management is the most important factor that will affect the success of a new coffee shop.

**Example Candidate Response – low**

**Examiner comments**

6.	b.	Marketing is the process of identifying and	1
		meeting the need of customer profitably by	
		giving right product at right time at right	
		place at right prices	
		A new coffee shop will identify the needs	2
		of its customers or which type of coffee the	
		potential customer want then provide them	
		the taste they want this will reduce the	
		risk of new coffee shop being fail as it	3
		will satisfy the customer demand	

4

1 The definition of marketing is awarded 1 mark as it does not show a developed knowledge.

2 The candidate offers a limited application to a coffee shop with the use of the words 'type of coffee' and 'taste'.

3 The candidate gives a limited analysis in the last sentence with reference to reducing risk.

4 The candidate does not give an evaluation in this answer.

Mark for AO1= 1 out of 2

Mark for AO2 = 1 out of 2

Mark for AO3 = 1 out of 2

Mark for AO4 = 0 out of 6

**Total mark awarded = 3 out of 12**

**How the candidate could improve their answer**

- The candidate could have shown more developed knowledge by explaining how identifying the needs of the customer might involve market research into the target market, for example, by using questionnaires to find out their opinions on the taste of different types of coffee.
- The candidate could have developed their application within the knowledge. For example, 'When the market research has been analysed, the owner of the new coffee shop may be able to serve the types of coffee which customers prefer to buy, for example, flat white, cappuccino and latte. Research may show what size cups the customers would prefer or whether they prefer to take the coffee away with them in a disposable cup. Customers may also like the coffee shop to also provide food such as cakes and sandwiches.'
- Analysis based on the above knowledge and application might be, 'If the new coffee shop conducts primary market research well and listens to what potential customers would like them to sell, the business may find it easier to enter the market. They might be able to provide a more personalised service to their customers than the large coffee shop chains such as Starbucks. A new coffee shop will not have an established brand name, but the people who were asked to fill in a questionnaire may try the coffee shop and could become loyal customers if they are pleased with the experience. The market research might be time consuming and expensive for a new business, but it is a form of promotion and loyal customers may carry out free advertising for the business by telling their friends about it. Marketing is therefore an important factor in the success of a new coffee shop'.
- The candidate needed to consider another factor which could affect the success of a new coffee shop. This could be the strength of the competition, the disposable income of potential customers, or changes in the economy. It is not possible to make a judgement or recommendation if marketing is the only factor which has been analysed.
- Evaluation needed to be based on the factors given in the analysis, and a judgement should be made based on the most important factor affecting success.

## Common mistakes and guidance for candidates

- Many candidates interpreted marketing as the 4Ps and based their answers only on these. They made a judgement on which of the 4Ps was the most important factor for success. This did not answer the question which is based on marketing. Marketing involves finding out about the market which the business is going to be entering. This will involve market research to identify the needs of potential consumers, the existing competitors and will influence what the business should do to be successful in this market.
- Some candidates found it relatively easy to apply their answer to the context by referring to types of coffee (americano, latte, cappuccino) or to equipment used in a coffee shop (coffee machines, cups, tables) or to employees, such as baristas. Many candidates considered the use of the words 'new coffee shop' taken from the question to be context. However, no marks could be awarded for the use of wording given in the question.
- Analysis must always be developed reasoning. If not, it is often an unsupported statement or at best a brief explanation.
- Evaluation is a high-level skill and can be difficult to develop. The mark scheme expects two different forms of evaluation: comments and judgement. Examples of these are given for the scripts above. Levels 2 and 3 require developed evaluation, but Level 3 could not be given unless the context of the coffee shop is seen specifically in the evaluation.

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