Specimen Paper Answers – Paper 3

Cambridge International AS & A Level Business 9609

For examination from 2023

Contents

Introduction

These specimen answers have been produced by Cambridge ahead of the examination in 2023 to exemplify standards (high) for those teaching Cambridge International AS & A Level Business 9609. We have selected questions from Specimen Paper 3, Questions 1 and 3(c).

The marks given are for guidance only and are accompanied by a brief commentary explaining the strengths and weaknesses of the answers. Comments are given to indicate where and why marks were awarded, and how additional marks could be obtained. There is also a list of common mistakes and guidance for candidates for each question.

The specimen materials are available to download from the School Support Hub.

2023 Specimen Paper 03

2023 Specimen Paper Mark Scheme 03

Past exam resources and other teaching and learning resources are available from the School Support Hub.

Details of the assessment

Paper 3 Business Decision-Making

Written paper, 1 hour 45 minutes, 60 marks

Five questions based on a case study. There are three parts to Question 3 and two parts to Question 4.

Questions are based on the A Level subject content; knowledge of material from the AS Level subject content is assumed.

Externally assessed

30% of the A Level

Assessment objectives

AO1 Knowledge and understanding
Demonstrate knowledge and understanding of business concepts, terms and theories.

AO2 Application
Apply knowledge and understanding of business concepts, terms and theories to problems and issues in a variety of familiar and unfamiliar business situations and contexts.

AO3 Analysis
Analyse business problems, issues and situations by:
• using appropriate methods and techniques to make sense of qualitative and quantitative business information
• searching for causes, impact and consequences
• distinguishing between factual evidence and opinion or value judgement
• drawing valid inferences and making valid generalisations.

AO4 Evaluation
Evaluate evidence in order to make reasoned judgements, present substantiated conclusions and, where appropriate, make recommendations for action and implementation.

Assessment objectives as a percentage of Paper 3

AO1 Knowledge and understanding   20%

AO2 Application   27%

AO3 Analysis   23%

AO4 Evaluation   30%

Question 1

Analyse **two** possible advantages to DL of centralisation as the business continues to expand.

Specimen answer

A centralised organisational structure keeps important decision-making powers at the centre of the organisation. This means that there is minimum delegation to managers in the departments of the business. At DL, Gabriel makes all major decisions rather than functional department managers.

As DL has grown by opening a second factory and introducing new flavours of ice cream, centralisation will help DL to develop and maintain a consistent premium product brand image based on quality. This may have contributed to DL's sales growth and becoming the market-leading brand in country Y. Maintaining consistency across the growing business will be important as DL continues to grow as Gabriel is planning to open more ice cream shops and offer franchising agreements. Without consistency in decision making across the organisation it is possible that DL will not be able to maintain its premium product positioning in the market and this will reduce sales and profits.

DL operates in a dynamic market and faces competition from at least one global ice cream brand. Centralisation enables quick decision making in response to changing market conditions. Managers report directly to Gabriel, and he can make decisions quickly and in the interests of the whole business without the need for lengthy consultation.

Total marks awarded = 7 out of 8

Examiner comment

For these eight-mark questions there is only one level of knowledge and understanding. To achieve full marks for AO1, a candidate only has to demonstrate knowledge of two points relevant to answering the question. This response gives an accurate definition of centralisation in the first paragraph; this is an effective way of demonstrating AO1 knowledge and understanding. This answer also shows knowledge of the benefits of centralisation such as rapid decision-making and consistent policies. A good example of knowledge and understanding is shown in the third paragraph where the candidate recognises that centralisation enables quick decision making in response to changing market conditions. The candidate is awarded 2 out of 2 marks for AO1.

AO2 marks for application are also given within a single level. To achieve both marks a candidate needs to apply two relevant points to the business context. It should be noted that repeating elements of the text will not attract AO2 marks. For example, the statement at the end of the first paragraph does not apply a relevant point to the business context, it only repeats case material without showing its relevance. However, in the second paragraph the candidate links centralisation with maintaining a consistent premium product brand based on quality. This demonstrates application. This is further developed in the second paragraph with reference to key information about DL's plans for expansion in terms of opening new ice cream shops and franchising. By using a number of elements of the context to answer the question the candidate shows good application. This skill is repeated in the third paragraph by linking global competition and declining market

share to the need for quick decision making. The response contains multiple points in context and is therefore awarded 2 marks for AO2.

AO3 analysis marks are split into two levels. Limited analysis makes links between cause and effect, but the chain of argument will be brief and undeveloped. Simply identifying an impact or effect of something is sufficient for Level 1 AO3. The second paragraph describes how the business has grown and links centralisation to maintain a consistent product image. Although the candidate suggests that this may have contributed to DL's sales growth this is not fully developed and is indicative of Level 1 analysis.

Level 2 is about showing a chain of impacts or effects that result from an individual cause. Analysis develops from Level 1 to Level 2 in the latter part of the second paragraph where the candidate considers how a lack of consistency will impact DL's premium product positioning and therefore its sales growth and profits.

The third paragraph identifies quick decision-making as a benefit of centralisation and links this to the context of the competition faced by DL. However, the candidate does not develop analysis of this benefit. The answer could be improved by, for example, linking quick decision making to maintaining a competitive advantage in the market and thus protecting market share or increasing sales. As Level 2 analysis is only demonstrated for one benefit, the answer is restricted to 3 out of the available 4 marks for AO3.

Common errors and general guidance for candidates

- Candidates often give too much focus to lengthy definitions. Definitions of business concepts or terms will only gain a single AO1 mark. The focus of Question 1 and 2 will typically require an understanding of two benefits or limitations of a concept in a specific context.

- Weaker answers often start by copying or paraphrasing sections of the text which relate to the question asked. For example, for Question 1, a candidate might repeat all the information in the section on 'Organisation and growth'. This is not application and does not demonstrate understanding of the question. Case material should be used to inform and develop a candidate's answer. In a time-limited exam it is essential to manage time effectively and avoid spending time on writing which will not be rewarded.

- Candidates should be selective when choosing data from the case to use in their answer. Further, candidates should not assume that all the relevant information is within the paragraph with what appears to be the most relevant heading. However, there is a lot of information in a case study. Not all of it is useful to answer a particular question. Candidates should consider the whole case study and select their information carefully.

- There is no need for any evaluative comment in answers to an eight-mark question in this paper.

- If a question asks for two advantages, then answers should not try and develop analysis of more than two advantages. It is useful to separate answers into paragraphs to clearly identify where one argument stops and another begins.

Question 3c

Evaluate whether DL should go ahead with the proposed production line project.

Specimen answer

DL should consider a range of quantitative factors and qualitative factors when deciding whether to go ahead with the proposed production line project. Quantitative factors include the results of investment appraisal techniques such as net present value, ARR and payback. Qualitative factors include how the customers and employees might be affected by the investment.

Payback is the time taken to return the investment. The payback period is three years exactly and this is at least two years before the production line equipment is at the end of its useful life. This means that for the final two years the production line will effectively be making profit for DL. A relatively quick payback is beneficial for DL as it reduces the pressure on cash flow which may be important as DL has further plans for expansion which will also require funds.

DL should also consider the return on investment. The Accounting Rate of Return is 24%. This should be compared to any criterion rate that DL uses for investment or its current return on capital employed to give an idea of whether the investment is worthwhile.

The net present value appraisal also supports the investment as the sum of the discounted cash flows is greater than the capital cost. NPV is the most important appraisal technique as it considers the time value of money. However, all these investment techniques depend on the quality of the data used. If estimates are not based on robust data then the appraisal may be misleading and sound decisions cannot be reached.

DL faces a capacity constraint on future sales growth as it is operating at close to 90% capacity. Without investment sales cannot significantly increase. The computerised production line will enable DL to increase efficiency as it will raise labour productivity. With greater efficiency unit costs will be reduced and this will enable DL to be more price competitive without reducing the profit margin. Therefore, DL should make the investment to remain competitive in the market.

In the short term there is a danger that the investment may disrupt customer service if the changeover causes delays in delivery of customer orders. This would result in a reduction in sales and could damage DL's reputation and therefore negatively impact long term revenue and profit.

Total marks awarded = 10 out of 12

Examiner comment

The first paragraph is a good example of limited AO1 knowledge and understanding. The candidate shows knowledge of a range of factors that should be considered when deciding about a proposed investment. It is therefore relevant knowledge. However, in a twelve-mark question AO1 is not just about defining concepts or identifying relevant factors. To achieve Level 2 of AO1, a candidate needs to demonstrate developed knowledge using key concepts or factors as part of the answer. In the second paragraph the candidate demonstrates knowledge of the meaning of payback and understands that a quicker payback is preferable as it reduces the pressure on cashflow. This shows developed knowledge. The candidate is awarded 2 out of 2 marks for AO1. The candidate shows a similar level of understanding of other investment appraisal techniques in subsequent paragraphs.

AO2 application marks are also dependent on whether the application is limited or developed. Limited application is awarded when an answer demonstrates understanding of relevant context. This candidate uses the results of the calculations to Question 3 a) and b) as evidence for supporting the investment. Identifying that the payback period of three years leaves two years to make profit demonstrates limited application. A useful technique for demonstrating application is to perform a relevant calculation. For example, in the third paragraph the candidate correctly calculates the ARR. This is a further example of limited application. Developed application can be demonstrated by integrating multiple pieces of information from the case. For example, the candidate links the quick payback of three years to DL's plans for expansion. This firmly places the answer in the context of the business.

AO3 analysis marks are split into two levels: limited and developed. Analysis makes links between cause and effect. In this question it might be the impact of the investment project on DL's customers or other stakeholders. For example, in recognising that the investment project could disrupt customer orders and therefore result in a loss of sales. However, this is a limited chain of argument. The candidate could have developed this further by considering the impact of a loss of sales on profit. The link made by the candidate is Level 1 analysis. Level 2 is about developing more extended chains of argument. This is demonstrated in the fifth paragraph. Here the candidate links the investment to increased labour productivity and efficiency and therefore a reduction in unit cost resulting in DL being able to reduce prices without lowering profit margin. It should be noted that one piece of developed analysis is sufficient to gain both analysis marks.

Half of the marks on this question are for evaluation. This requires a weighting of argument, a judgement or recommendation, contrasting the short term with the long term or consideration of the limiting factors in a decision. Evaluation is best developed throughout an answer rather than just in the final paragraph. The conclusion should be more than a summary of what has already been stated. Evaluation must also be supported so is usually based on preceding analysis. It is the most difficult skill to develop effectively.

Evaluative comments allow judgements to be made. There are evaluative comments throughout this answer. For example, in the fourth paragraph the candidate notes that the NPV result supports making the investment. Although evaluative there is limited supporting comment so it is only Level 1 evaluation However, it could be drawn upon later in the answer as part of an overall judgement.

Level 2 and Level 3 evaluation require a developed judgement and weighting of some key arguments. The difference between the top levels of evaluation is that Level 3 requires evaluation in the business context. There is a good balance of argument in the answer with the limitations of investment appraisal techniques considered. The fourth paragraph provides a developed weighting of argument regarding investment appraisal, but this is not developed in context. There is a supported judgement in favour of the investment in the fifth paragraph. However, this could have been developed in context by referring to the increased competition faced by DL resulting in DL considering the need to reduce prices to remain competitive.

The candidate does not give an overall judgement. This is usually required for a good evaluative response. It does not matter whether the candidate makes the judgement for or against, as long as it follows on from the arguments given and is in context.

Evaluation in this answer is sufficient to reach the top of Level 2 and therefore the total mark awarded is 10 out of 12.

Common errors and general guidance for candidates

- Definitions provide useful evidence to the examiner of knowledge, but candidates must ensure that they also include evidence of developed knowledge in answers.

- A lack of selectivity in case material can waste valuable exam time. Ensure that each detail taken from the case is focused on answering the question.

- Candidates often develop only simple chains of argument and therefore do not get the second mark for AO3. Good, developed analysis of key factors in the decision will achieve Level 2 and often provides support for evaluation.

- Candidates may be tempted to consider a large number of arguments that are relevant to a decision. This will tend to result in limited analysis and evaluation. It is more effective to focus on two or three key issues.

- Evaluation is more than a summary at the end of the answer. Evaluation should be evident in each argument included in the answer as this gives a greater focus on answering the question. Where evaluative comment is made in relation to different issues and arguments it is more likely that at least Level 2 AO4 will be awarded.

- Conclusions often make a recommendation without providing supporting evidence. This is not evaluation. The best conclusions answer the question and indicate the key supporting factor in context for making that judgement.