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CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/32**

Paper 3 Business Decision-Making **February/March 2025**

MARK SCHEME

Maximum Mark: 60

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the February/March 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptions for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

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GENERIC MARKING PRINCIPLE 5: Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).
GENERIC MARKING PRINCIPLE 6: Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standard isation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
✓	As an indication of relevant and rewardable content.
NAQ	Used when the answer or parts of the answer are not answering the question asked.
BOD	Used when the benefit of the doubt is given in order to reward a response.
TV	Used when parts of the answer are considered to be too vague.
K	Indicates knowledge and understanding of the concepts and issues relating to the question.
APP	Indicates that there is specific application to the context of the question.
AN	Indicates where the answer has demonstrated analysis.
EVAL	Indicates where the answer has demonstrated evaluation.
REP	This indicates where content has been repeated.
SEEN	Indicates that content has been recognised but not rewarded.
L1, L2, L3	Indicates where the answer reaches the required standard for Level 1 / Level 2 / Level 3.

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Guidance on using levels-based marking

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

The examiner should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:
- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range.
- If the candidate's work **just** meets the level statement, award the lowest mark.
- L1, L2 etc. must be clearly annotated on the response at the point where the level is achieved.

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.

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>

Analyse <u>one</u> advantage and <u>one</u> disadvantage to IPA of changing employment contracts from full-time to zero hours for most production employees.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

Note:
- Only reward one advantage and one disadvantage
- If more than one advantage or one disadvantage is offered reward the best one.
- All annotation (K APP AN L2) should be in the left margin.

</td><td>8</td></tr>
</table>

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Question	Answer	Marks
1	**Indicative content** **AO1 Knowledge and understanding** Definition of relevant terms (max K 1 mark) • Contract of employment sets out the terms and conditions between the employee and employer. • Full-time contract of employment – guaranteed full-time hours of work for the employees. • Zero hours contract of employment – no guaranteed hours for the employee. Knowledge of advantages and disadvantages of zero hours contract to IPA • Advantages: – Reduced labour costs. – Greater flexibility in production. • Disadvantages: – Negative impact on motivation of employee. – Increase in labour turnover. – Increase in recruitment and training costs. **AO2 Application** *Limited application,* APP *applies knowledge to IPA once.* *Developed application,* APP - APP *applies knowledge to IPA twice.* *Max one* APP *for application for the first element and max on* APP *for application for the second element.* Application is making use of relevant case information not just repeating it. • Recruitment of skilled production workers has been difficult. • Training given to employees. • Seasonal demand for smartphones. • Low margins on sales. • Some employees will remain on full-time contracts (link to possible conflict between employees and productivity) • Impact on quality of refurbished phones **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.*	

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Question	Answer	Marks
1	Chains of reasoning highlighting likely advantages / disadvantages of zero-hour contracts: Advantages • Reduced labour costs in off-peak times will enable IPA to reduce prices for its smartphones AN and therefore result in an increase in sales and profi L2 AN • A reduction in labour costs reduces the direct costs of IPA and therefore increases gross pr AN Disadvantages • Zero hours contracts may reduce employee motivation therefore reducing labour productivity AN and increasing costs of production resulting in a reduction in profit L2 AN • Employees may resist the change to zero hours contracts resulting in an increase in labour turnover AN and therefore an increase in recruitment and training cost L2 AN • Inconsistent quality of refurbished phones due to the everchanging workfor AN Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>
Analyse <u>two</u> methods to improve IPA's liquidity.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
4 marks</th></tr>
<tr><td>2</td><td></td><td></td><td>3–4 marks
Developed analysis
• Developed analysis that identifies connections between causes, impacts and/or consequences of two points.
• Developed analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>1</td><td>1–2 marks
• Knowledge of two relevant points is used to answer the question.
• Knowledge of one relevant point is used to answer the question.</td><td>1–2 marks
• Application of two relevant points to a business context.
• Application of one relevant point to a business context.</td><td>1–2 marks
Limited analysis
• Limited analysis that identifies connections between causes, impacts and/or consequences of two points.
• Limited analysis that identifies connections between causes, impacts and/or consequences of one point.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
Note:
• If more than two methods are referred to, reward the best two.
</td><td>8</td></tr>
</table>

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Question	Answer	Marks
2	**Indicative content** **AO1 Knowledge and understanding** Definition of liquidity max K (1 mark) • Liquidity relates to the ability of a business to meet its short-term debts. • It is measured by the acid test and current ratio. Methods to improve the liquidity of IPA (max K 2 marks) • Introduce JIT inventory control. • Reduce credit given to business customers. • Reduce trade receivables turnover (days). • Delay payment when purchasing smartphones. • Overdraft • Debt factoring **AO2 Application** *Limited application,* APP *applies knowledge to IPA once.* *Developed application,* APP - APP *applies knowledge to IPA twice.* *Max one* APP *for application for the first method and max on* APP *for application for the second method.* Application is making use of relevant case information not just repeating it. Use of relevant data from Table 1.1 • Decrease in current ratio to 0.93:1 • Decrease in acid test ratio to 0.3:1 • Difference between CR and ATR suggests that liquidity problem is a result of inventory holding. • Increase in the trade receivables turnover (days) to 34. • Credit provided to business customers. • Immediate payment for smartphone inventory purchased by IPA. • Seasonal nature of demand	

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Question	Answer	Marks
2	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • A reduction in credit provided to business customers will bring forward payment for smartphone sales and therefore the timing of cash inflows AN which will increase cash held by IPA improving liquidity L2 AN • Delaying payment for purchases of smartphones will enable IPA to delay cash outflows AN . This will increase cash held by IPA and therefore improve liquidity L2 AN • Holding less stock of smartphones will reduce cash tied up in inventory delaying cash outflow AN and therefore improve the acid test ratio L2 AN . Accept all valid responses.	

Question	Answer	Marks
3(a)	**Refer to lines 9–11. Calculate, for 2024, IPA's market share.** Market share = Sales / Market sales X 100 (1 mark if no rewardable calculation) 0.104 / 12 X 100 (1) = 0.87% (2) (% required) To award zero marks, there must be one ✗	**2**

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Question	Answer	Marks
3(b)	**Refer to lines 9–10. Calculate, for 2025, the expected percentage market growth.** Market growth = (Expected sales 2025 – sales 2024) / sales 2024 X 100 Change in sales = 14.2m – 12m = 2.2m (1) Market growth = 2.2m / 12m X 100 = 18.3% OR 18% (2) (% required) Note: (14.2 – 12) / 14.2 X 100 = 15.49% (1) To award zero marks, there must be one ✗	**2**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(c)</td><td>Evaluate the Marketing Director’s proposed changes to IPA’s marketing mix.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table></td><td>12</td></tr>
</table>

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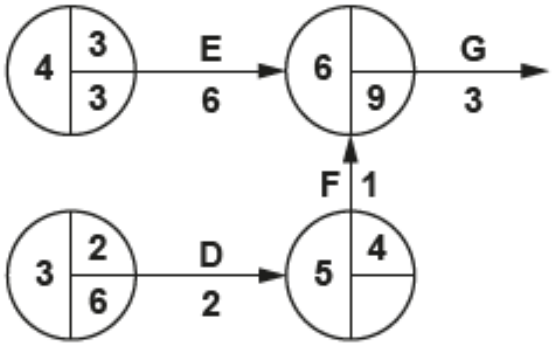
Question	Answer	Marks
3(c)	**Indicative content:** **AO1 Knowledge and understanding** *Limited knowledge* K Definition of marketing strategy or understanding of impact of a recommended change. *Developed knowledge* K + K Understanding of marketing strategy and understanding of impact of recommended change(s). • Marketing mix includes the 4 Ps and is part of the marketing strategy. Understanding of impact of recommended changes: • Reducing price makes smartphones more affordable. • Increasing promotion spending should increase awareness of IPA's product. **AO2 Application** *Limited application,* APP *applies knowledge to IPA once.* *Developed application,* APP - APP *applies knowledge to IPA twice.* Recommended change is linked to relevant case material. • Marketing objective is to increase sales volume by 60% in 18 months. • Demand is thought to be price elastic i.e. responsive to price reductions. • PrEd = 0.7. Demand is not expected to be responsive to an increase in promotional spending. • Margins are low on smartphone sales. • Prices were competitive and reduction will undercut competitors. • There are many competitors in the market – no business has more than one percent of the market. • IPA sells B2B and B2C. (likely to have different price elasticities) • Move toward out of home advertising rather than digital advertising and the problem of internet access in rural areas. **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis or balance of argument.* • A reduction in price will make IPA smartphones relatively cheaper than competitors therefore increasing demand AN and if demand is price sensitive that will increase revenue L2 AN	

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Question	Answer	Marks
3(c)	• Rural communities have limited internet connectivity therefore advertising on digital platforms will not reach potential customers AN so a change to out of house advertising will increase awareness of IPA's products resulting in an increase in demand. L2 AN • An increase in non-digital promotion spending should increase awareness leading to an increase in sales AN . This will result in higher revenue and therefore profit may also increas L2 AN • A reduction in price will make IPA smartphones relatively cheaper than competitors therefore increasing demar AN . This could lead to higher profit L2 AN **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in contex* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Supported judgement as to whether change(s) will achieve the marketing objective. • Factors that impact might depend on: – Response of competitors to price change. As no competitor has more than 1% market share it is unlikely that individual competitors will be significantly impacted by price reduction, so will they react by reducing price? – Low promotional elasticity of demand does not mean that promotional spending is necessarily ineffective. Impact depends on cost of additional promotion relative to increase in sales which result. – Market is growing rapidly anyway so sales likely to increase without changing marketing. – Connectivity in rural areas to mobile networks will impact usefulness of smartphones to customers and therefore demand. – Will IPA have sufficient capacity to meet an increase in demand of 60% within 18 months? • An increase in non-digital promotion spending should increase awareness leading to an increase in sales AN . This will result in higher revenue and therefore profit may also increase. L2 AN However, as PrED is inelastic the impact may be relatively limited. EVAL • A reduction in price will make IPA smartphones relatively cheaper than competitors therefore increasing demar AN and therefore higher profit. However, as profit margins are very low this may reduce total pro… EVAL Accept all valid responses.	

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Question	Answer	Marks
4(a)	**Complete nodes 5 and 6 on the network diagram below (reproduced from the Insert).**  EST of G = 9 (1 mark) LFT of D = 8 (1 mark) To award zero marks, there must be one ✗	**2**
4(b)	**Calculate the total float for Activity F.** Total float = LFT (of F) – Duration (of F) – EST (of F) OR Total Float = LST – EST (1 mark if no rewardable calculation) Total float = 9 – 1 – 4 (1) OR 8 – 4 (1) = 4 (weeks) (2) Incorrect units e.g. 4 days (1) To award zero marks, there must be one ✗	**2**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(c)</td><td>Evaluate the benefit to IPA of Critical Path Analysis (CPA) as a management tool in planning operations.
<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
Developed evaluation in context
• A developed judgement/conclusion is made in the business context.
• Developed evaluative comments which balance some key arguments in the business context.</td></tr>
<tr><td>2</td><td>2 marks
Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
Developed application of relevant point(s) to the business context.</td><td>2 marks
Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks
Developed evaluation
• A developed judgement/conclusion is made.
• Developed evaluative comments which balance some key arguments.</td></tr>
<tr><td>1</td><td>1 mark
Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table></td><td>12</td></tr>
</table>

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Question	Answer	Marks
4(c)	**Indicative content:** **AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of CPA.* *Developed knowledge* K + K *will be demonstrated through knowledge of CPA and a benefit.* • Understanding of CPA – network diagram, critical path, floats, minimum duration • Benefits of CPA: knowing minimum project time, start times for activities, progress monitoring, assessing significance of delays and if necessary, corrective actions. • Limitations of CPA: analysis only as good as input data, planning costs, does not ensure effective management. **AO2 Application** *Limited application,* APP *applies knowledge to IPA once.* *Developed application,* APP - APP *applies knowledge to IPA twice.* • Operations Director produced the CPA. • 24-week minimum time. • Disruption to production during works. • Delivery of machinery is from Europe. • Expansion involves building work – where is data on timings from? • Use of data in Fig 1 and answers to 4(a) and 4(b) – Total float of activity F – Free float of activity F – Activity E and G are critical activities **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • CPA is a quantitative technique and more exact than estimation. Planning will help save resources and ensure that disruption is minimised reducing IPA's expansion AN . • CPA will enable IPA to get back to full production as soon as possible and therefore manage cash flow more effectively AN • Important to use CPA so that customers can be kept informed of any potential impact on orders. This will help avoid customer dissatisfaction AN which could result in loss of sale L2 AN .	

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Question	Answer	Marks
4(c)	**AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in contex* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Justified conclusion on importance e.g. CPA very important for enabling continuous supply. – Monitoring the most critical activities such as the machinery from Europe as this could be delayed due to external factors. • CPA only as good as data – is the Operations Director capable of completing accurate CPA for the factory development? • Other information is also important e.g. CPA needs to be interpreted • Work progress must match the CPA plan. • IPA would be wise to maintain constant check on progress before and after work starts. Accept all valid responses.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>

Refer to lines 70–75. Evaluate the most likely impact on IPA of the fiscal and monetary policy changes.

<table>
<tr><th>Level</th><th>AO1 Knowledge and understanding
2 marks</th><th>AO2 Application
2 marks</th><th>AO3 Analysis
2 marks</th><th>AO4 Evaluation
6 marks</th></tr>
<tr><td>3</td><td></td><td></td><td></td><td>5–6 marks
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Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks
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Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark
Limited application of relevant point(s) to the business context.</td><td>1 mark
Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks
Limited evaluation
• A judgement/conclusion is made with limited supporting comment/evidence.
• An attempt is made to balance the arguments.</td></tr>
<tr><td>0</td><td>0 marks
No creditable response.</td><td>0 marks
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</td><td>12</td></tr>
</table>

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Question	Answer	Marks
5	**Indicative content:** **AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of fiscal/monetary policy or knowledge of how changes to fiscal/monetary policy impact IPA.* *Developed knowledge* K + K *will be demonstrated through knowledge of fiscal/monetary policy and knowledge of how changes to fiscal/monetary policy impact IPA.* • Fiscal policy is the management of aggregate demand through changes in taxation and government spending. • Monetary policy involves changes in the money supply, interest rates and the exchange rate. Impact of generic fiscal and/or monetary policy changes on IPA • Increase or decrease in demand for products. • Impact on tax paid by IPA affecting retained profits. • Impact on costs of labour. • Impact on borrowing costs. **AO2 Application** *Limited application,* APP *applies knowledge to IPA once.* *Developed application,* APP - APP *applies knowledge to IPA twice.* Links changes to case material • Telecommunications infrastructure affects the usefulness of mobile phones to households/business. • Marketing objective of increasing sales volume by 60%. • Limited internet connectivity as a barrier to sales in rural areas. • Ambitious expansion plans of IPA. • IPA sales of mobile phones in 2024 of 104 000 units. • Increasing sales of refurbished smartphones to 14.2m in 2025. • Reduction in interest rates linked to financing costs of factory expansion. • Reduction in interest rates linked to high gearing and borrowing costs.	

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5	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis or balanced argument.* • A decrease in income tax will increase disposable income of households. This will increase the demand for smartphones. AN. Therefore, helping IPA to achieve its marketing objective L2 AN • Improved mobile signal coverage will make smartphones more useful in rural areas. Therefore, there may be an increase in demand for refurbished smartphones AN This may increase IPA's profitability L2 AN • A reduction in income tax may reduce wage demands of workers. Therefore, this will limit cost increases faced by IPA. AN This will help increase profits. L2 AN • Expansionary fiscal policy will boost aggregate demand and therefore increase demand for smartphones AN • The cut in interest rates will increase the discretionary income of some consumers AN leading to an increase in demand for IPA's refurbished phones L2 AN • The cut in interest rates will reduce the cost of borrowing therefore decreasing interest payment on any borrowing that IPA needs for the factory extension AN making the project more profitable L2 AN . **AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • Supported judgement as to overall impact of fiscal/monetary policy changes on IPA. • Supported judgement as to which change is most significant to IPA. • Factors that impact might depend on: – In the short run infrastructure projects may have limited or no impact on IPA sales as building mobile network infrastructure will take time. – Impact of cut in income tax will depend on the income elasticity of demand for refurbished smartphones. – Impact of income tax cuts will depend on the confidence of business and households about the future growth of the economy. If households lack confidence, they will choose to save rather than spend any increase in income. Accept all valid responses.	

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