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CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/21**

Paper 2 Data Response **October/November 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 October/November 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.

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)

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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).

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
	For objective points that are right or wrong.
	For objective points that are wrong.
	When there is a misunderstanding in a response.
TV	When the candidate has attempted something, but the mark/skill has not been awarded.
Highlighter Or Underline	To highlight a point or section of an answer that justifies the mark/annotation.
BOD	When the candidate has attempted something, and the mark/skill has been awarded.
On page comment	To communicate with the supervisor.
NUT	When the context has not been used.

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Annotation	Meaning
SEEN	To show a page/section has been seen/read.
NAQ	When the response is not focussed on answering the question.
REP	The repetition of a previous point in a response **or** candidate is copying the case study/data.
OFR	The own figure rule applies – acts as a mark/tick.
K	When AO1 has been awarded. Number of Ks should match the mark awarded.
APP	When AO2 has been awarded. Number of APPs should match the mark awarded.
AN	When AO3 at Level 1 has been awarded.
DEV	When AO3 at Level 2 has been awarded.
EVAL	When AO4 at Level 1 has been awarded.
E	When AO4 at Level 2 has been awarded.
EE	When AO4 at Level 3 has been awarded.

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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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PREPARATION FOR MARKING

1 Make sure that you have completed the relevant training and have access to the *RM Assessor Guide*.
2 Make sure that you have read and understand the question paper, which you can download from https://support.rm.com/ca
3 Log in to RM Assessor then mark and submit the required number of practice and standardisation scripts. You will need to mark the standardisation scripts to the required accuracy in order to be approved for marking live scripts. You may be asked to re-mark them, or to mark a second sample, if you do not meet the required accuracy on your first attempt.

MARKING PROCESS

1 Mark strictly to the FINAL mark scheme, applying the criteria consistently and the general marking principles outlined on the previous page.
2 If you are in doubt about applying the mark scheme, consult your Team Leader.
3 Mark at a steady rate through the marking period. Do not rush, and do not leave too much until the end. If you anticipate a problem in meeting the deadline, contact your Team Leader immediately and the Examiners' Helpdesk.
4 Examiners will prepare a brief report on the performance of candidates to send to their Team Leader via email by the end of the marking period. The Examiner should note strengths seen in answers and common errors or weaknesses. Constructive comments on the question paper, mark scheme or procedures are also appreciated.

MARKING SPECIFICS

Crossed out work

1 **All a candidate's answers, *crossed out* or not, *optional* or not, must be marked.**
2 The only response not to be marked is one that has been crossed out and replaced by another response for that exact same question.
3 Consequently, if a candidate has crossed out their response to an optional question and gone on to answer a different optional question then both attempts must be marked. The higher mark will be awarded by the system according to the rubric.

0 (zero) marks or NR (no response)

1 Award **NR** if there is nothing at all written in answer to that question (often the case for optional questions).
2 Award **NR** if there is a comment which is not an attempt at the question (e.g. 'can't do it' or 'don't know' etc.)
3 Award **NR** if there is a symbol which is not an attempt at the question, such as a dash or question mark.
4 Award **0** (zero) if there is any attempt at the question which does not score marks. This includes copying the question onto an Answer Booklet.

Annotation

1 Every question must have at least one annotation e.g. <NAQ> if it is an NR and <X> or <seen> if 0 marks are awarded.
2 Every page of a script must have at least one annotation e.g. <BP> for a blank page.

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Question	Answer	Marks
1(a)(i)	**Identify <u>one</u> feature of a public limited company.** **AO1 Knowledge and understanding** **Indicative content** Identification of a feature ✓ may include: • can sell shares • has shareholders • limited liability • separate legal identity from its owners • must publish its accounts and report to its shareholders	**1**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(a)(ii)</td><td>

Explain the term *dynamic business environment*.

<table>
<tr><th>AO1 Knowledge and understanding
1 mark</th><th>AO2 Application
2 marks</th></tr>
<tr><td></td><td>2 marks
Developed application of one relevant point to a business context.</td></tr>
<tr><td>1 mark
Knowledge of one relevant point is used to answer the question.</td><td>1 mark
Limited application of one relevant point to a business context.</td></tr>
<tr><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

Indicative content

Responses may include:

AO1 Knowledge and understanding K (max 1 mark), including:
- rapid / fast changing market
- requires businesses to quickly adapt / be flexible.
- changes may be internal or external

AO2 Application
Explanation of internal changes APP (max 1 mark), including:
- leadership or management changes
- organisational restructuring
- investment in technology

Application for internal changes APP (max 1 mark), including:
- a new manager may bring a different vision or management style.
- merging departments
- upgrading equipment

</td><td>3</td></tr>
</table>

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Question	Answer	Marks
1(a)(ii)	Explanation of external changes APP (max 1 mark), including: • technological advancements • economic shifts • political and legal changes • social trends • environmental factors • new products /ideas/entrants • consumer tastes Application for external changes APP (max 1 mark), including: • AI, automation • inflation, recession • new regulations, trade policies • consumer preferences, demographics • climate change, sustainability pressures • examples of dynamic markets • examples of factors meaning markets are dynamic e.g. competition Accept all valid responses.	

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Question	Answer	Marks
1(b)(i)	**Refer to Table 1.1. Calculate the change in profit from 2023 to 2024.** **Indicative content.** Profit = Revenue – Total costs (1) Profit in 2023 = $44m – ($6m + $16m) = $22m (1) **OR** Profit in 2024 = $50m – ($10m + $20m) = $20m (1) Change in profit = Profit in 2024 – Profit in 2023 = $20m – $22m = –$2m (OFR applies) Answer = **–$2** (3), $ not required**.** Accept text explanation, such as decreases, instead of minus sign. In brackets indicates a minus figure **No minus sign or other indication of decrease 2 marks** **OFR applies**	**3**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)(ii)</td><td>

Explain <u>one</u> use to CB of cost information.

<table>
<tr><th>AO1 Knowledge and understanding
1 mark</th><th>AO2 Application
2 marks</th></tr>
<tr><td></td><td>2 marks
Developed application of one relevant point to a business context.</td></tr>
<tr><td>1 mark
Knowledge of one relevant point is used to answer the question.</td><td>1 mark
Limited application of one relevant point to a business context.</td></tr>
<tr><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

Responses may include:

AO1 Knowledge and understanding K (max 1 mark), including:
Uses may include:
- helps determine the price/set prices
- ensure it makes a profit/improve profitability
- ensures the business covers its costs and earns a margin on each sale.
- respond to rising costs
- reduce unnecessary costs
- help identify profitable/loss making products
- set budgets

AO2 Application
Explanation APP (max 1 mark), including:
- respond to rising costs by adjusting prices
- identifying high-cost/profitable items allows the business to streamline operations or reduce waste.
- accurate cost data helps the owner decide whether to introduce new products, offer discounts, or invest in equipment
- can be used to help obtain external finance

</td><td>3</td></tr>
</table>

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Question	Answer	Marks
1(b)(ii)	Context APP (max 1 mark), including: • example of price-setting – e.g. CB calculates that the total cost of ingredients, labour, and overheads for one latte is $1.50. To make a profit, CB decides to sell the latte for $3.00. • if milk prices increase, the shop might adjust its pricing or switch suppliers. • operate in mass market • use of answer to **1(b)(i)** (OFR)/reduction in profit (OFR)/profit change between 2023 and 2024 • use of information in Table 1.1 – direct costs increased by $4m (to $10m) and indirect costs increased by $4m (to $20m) • competitive market • considering market segmentation • demand for healthy food **Accept all valid responses.**	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(c)</td><td>

Analyse <u>two</u> benefits to CB of training its 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>

Annotate the first benefit in the left-hand margin and the second in the right-hand margin.

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

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Question	Answer	Marks
1(c)	Responses may include: **AO1 Knowledge and understanding** (max [K] s) • improve the quality and consistency of its products and services • increase productivity • increase efficiency • motivate staff • develop new skills and knowledge **AO2 Application** *Max one [APP] for application in the first benefit and max on[APP] for application in the second benefit.* • working in a coffee shop is labour intensive work. • highly paid employees would like to improve skills • mission statement refers to a unique experience for customers • CB face very high costs that they need to control • train staff to be helpful, friendly and knowledgeable • offers food as well as coffee • located in high-income areas of major cities • competitive/dynamic business environment • operate in several countries **AO3 Analysis** *Limited analysis[AN] – candidate shows one link in the chain of analysis.* *Developed analysis[DEV] candidate shows two or more links in the chain of analysis or a two-sided analysis.* Analysis may include: • training improves the skills of employees – greater efficiency/productivity more customers served/more sales/ profit. • empowerment – may improve motivation by allowing employees to feel more knowledgeable e.g., advising customers on different products • can increase customer satisfaction and loyalty – enhance its reputation/revenue/profits • improve staff morale and retention – reduce turnover/absenteeism/recruitment costs • increased efficiency – reducing costs and increasing profits • build its customer base – attracting customers from the competition **Accept all valid responses**	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(d)</td><td>Evaluate whether CB should make greater use of market segmentation to be more successful.
<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
1(d)	Responses may include: **AO1 Knowledge and understanding (max K s)** • market has smaller groups/sub-groups • used to better target marketing efforts • methods include geographic, demographic and psychographic **Do not award K for product differentiation, must be market segmentation** **AO2 Application** *Limited application* APP *applies knowledge of market segmentation to CB once.* *Developed application* APP - APP *applies knowledge of market segmentation to CB twice.* • customers are becoming more aware of the health effects of consuming too much caffeine or sugar in their drinks. • operates in prime areas • use fair trade coffee beans • customers environmentally conscious. • highly competitive/dynamic business environment • currently operates in the mass market. • target young professionals, students and tourists • research shows customers want healthy food options • use of answer from **1(b)(i)**/decreasing profit • use of information from table 1.1 – e.g. rising costs/increasing revenue **AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* DEV *– candidate shows two or more links in the chain of analysis.* **Arguments for greater use of market segmentation:** • Better targeting of customer needs – tailor products and marketing more effectively. • Improved marketing efficiency – marketing campaigns can be more cost-effective and impactful when aimed at specific segments. • Become more competitive – attracting a wider customer base	

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Question	Answer	Marks
1(d)	**Arguments against greater use of market segmentation:** • increased complexity and costs – may require changes in product lines, marketing strategies, and store layouts, increasing operational complexity and costs. • further investment required – causing a strain on resources. • risk of alienating existing customers – might confuse or alienate loyal customers who value the current broad appeal. • maintaining a consistent brand image across – marketing becomes expensive and challenging • limited capacity to implement segmentation – may lack the data analytics capabilities or marketing expertise needed to effectively identify and serve distinct segments. **AO4 Evaluation** *Limited evaluation* EVAL *– unsupported judgement and/or a weak attempt at evaluative comment* *Developed evaluation* E *– supported judgement and/or reasonable evaluative comment* *Developed evaluation in context* EE *– supported judgement in context and/or reasonable evaluative comment in context.* While market segmentation offers opportunities for CB to better meet customer needs and stand out in a competitive market, it also introduces risks and costs. A balanced approach may be most suitable – CB could begin with light segmentation (e.g. offering healthier food options) while maintaining its mass market appeal. This would allow CB to test the effectiveness of segmentation without overcommitting resources. Other evaluative arguments may include: • target market – how to identify and attract a different market segment and costs involved • selling at a lower price might damage the brand reputation. • choice depends on operating costs, and customer preferences • CB would need to conduct market research to determine which method would be more effective in increasing demand for its products • a recommendation which could be that related to one method or could be that a combination is better. this helps CB to appeal to customers with different needs. • yes, it should/should not with justification *Evaluation must be clearly related to market segmentation* Accept all valid responses.	

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Question	Answer	Marks
2(a)(i)	**Identify <u>one</u> internal stakeholder of a business.** **AO1 Knowledge and understanding** ✓ **Indicative content** Responses may include: • employees • owners • shareholders • managers • directors • investors Accept all valid responses.	**1**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(a)(ii)</td><td>

Explain the term '*distribution channels*.

<table>
<tr><th>AO1 Knowledge and understanding
1 mark</th><th>AO2 Application
2 marks</th></tr>
<tr><td></td><td>2 marks
Developed application of one relevant point to a business context.</td></tr>
<tr><td>1 mark
Knowledge of one relevant point is used to answer the question.</td><td>1 mark
Limited application of one relevant point to a business context.</td></tr>
<tr><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>

Responses may include:

AO1 Knowledge and understanding K (max 1 mark), including:
- stages/routes/path a good/service passes through to the final buyer/customer/consumer
- how a product or service gets from the producer to the final customer/from supplier to consumer

AO2 Application
Explanation of distribution channels APP (max 1 mark), including:
- can be direct/indirect/digital
- help businesses access wider markets
- efficient for getting products to customers
- convenient for customers
- reduce costs through specialisation
- help gain brand recognition

</td><td>3</td></tr>
</table>

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Question	Answer	Marks
2(a)(ii)	Application for distribution channels APP (max 1 mark), including: • vary according to business type • business can use more than one channel such as selling through website and retail shop • examples of distribution channels such as: producer sells direct to the consumer involves intermediaries such as wholesalers/retailers/agents digital platforms/websites/apps/social media • example of a business distribution channel **Accept all valid responses**	
2(b)(i)	**Refer to Table 2.1. Calculate the break-even level of output of the new face cream.** **Indicative content** formula: break-even output = fixed costs / selling price-variable costs (contribution per unit) (1) calculation of contribution per unit = $5 – $2 = $3 (1) calculation of output = 12 000/3 (1) = 4000 units Answer = **4000 (3)** **OFR applies**	**3**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)(ii)</td><td>
Explain <u>one</u> limitation to NN of break-even analysis.
<table>
<tr><th>AO1 Knowledge and understanding
1 mark</th><th>AO2 Application
2 marks</th></tr>
<tr><td></td><td>2 marks
Developed application of one relevant point to a business context.</td></tr>
<tr><td>1 mark
Knowledge of one relevant point is used to answer the question.</td><td>1 mark
Limited application of one relevant point to a business context.</td></tr>
<tr><td>0 marks
No creditable response.</td><td>0 marks
No creditable response.</td></tr>
</table>
Responses may include:

AO1 Knowledge and understanding – Knowledge of a <u>limitatio</u> (max 1 mark), including:

may be based on unrealistic assumptions
price can change
fixed costs can change
variable costs do not always stay the same
some costs semi-fixed/variable
sales not the same as output
hard to calculate for a single product in a business.
does not take account of changes in the external environment

</td><td>3</td></tr>
</table>

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Question	Answer	Marks
2(b)(ii)	Dis **AO2 Application** Explanation of a limitation AFF (max 1 mark), including: • leads to inaccurate analysis • assumes all units produced are sold • example of changing fixed costs such as rent/salaries/investments • example of changing variable costs • example of semi-fixed/variable costs • example of difference between sales and output such as unsold inventory/returns/discounts • products may have different profit margins Context applied to a limitation AFF (max 1 mark), including: • answer to **2(b)(i)** (OFR) • price of $5 • sells other products that contribute to fixed costs • use of table 2.2 • rents workshop • competitive market **Accept all valid response**	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(c)</td><td>

Analyse <u>one</u> advantage and <u>one</u> disadvantage to NN of being a small business.

<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>

Annotate the advantage in the left-hand margin and the disadvantage in the right-hand margin.

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

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GradeMax

Question	Answer	Marks
2(c)	Responses may include: **AO1 Knowledge and understanding** Knowledge of an advantage (max 1 mark), including: • more flexible and adaptable to changing customer needs or market conditions • more personal and responsive customer service • lower overheads and operating costs • easier to control and manage • able to target niche markets or segments Knowledge of a disadvantage (max 1 mark), including: • lower economies of scale • high unit costs. • low bargaining power • difficult to be competitive • may not be able to fulfil all orders • smaller customer base • fewer distribution channels • limited funding opportunities **AO2 Application** *Max one for application to an advantage and Max one for application to a disadvantage* • needs to sell 4000 units of new product to break even (OFR from **2(b)(i)**) • high fixed costs of one product such as the new face cream $12 000 • niche market for natural ingredients in skincare • competitive market with large chains/established brands • can quickly adapt products for different skin types • hand-made products • Natalia manages all tasks/no employees • Natalia works long hours/stressed and exhausted	

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GradeMax

Question	Answer	Marks
2(c)	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* DEV *candidate shows two or more links in the chain of analysis or a two-sided analysis.* Advantages, including: • can be more flexible and adaptable as a small business – such as by being able to modify its products/prices/promotions/places quickly and easily according to customer feedback or market trends. • increase customer satisfaction – leading to customer loyalty/retention. • reduced fixed costs – more profit Disadvantages, including: • small market and high costs – lead to a lower profit margin • less potential for growth – limited access to capital • difficult to compete in the market – less brand recognition • limited sources of finance – difficult to attract investors/obtain loans **Accept all valid responses**	

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GradeMax

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(d)</td><td>Evaluate whether outsourcing is the most suitable way to increase NN’s production capacity.
<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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GradeMax

Question	Answer	Marks
2(d)	Responses may include: **AO1 Knowledge and understanding** – of outsourcing (ma[K] s), including: • the process of contracting out a business activity or function to another business/organisation • pay other businesses to take on some tasks • can help reduce unit costs • a business can concentrate on what it does best • can reduce risks • specialists skilled in function • specialist facilities **AO2 Application** *Limited applicatio*[APP] *applies knowledge of outsourcing to NN once.* *Developed application*[APP] -[APP] *applies knowledge of outsourcing to NN twice.* • growing demand for its products • small business • Natalia works long hours/stressed and exhausted • NN's values/standards • Natalia's passion and satisfaction as an entrepreneur • competitive market • loyal customer base • narrow distribution channels • organic ingredients • natural, handmade products • local suppliers • small, rented workshop • answer to **2(b)(i)**, required output/sales to break-even	

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GradeMax

Question	Answer	Marks
2(d)	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* DEV *candidate shows two or more links in the chain of analysis or a two-sided analysis.* **Arguments for outsourcing:** • outsourcing allows a business to scale up production – no need to invest in larger premises or equipment. • would free up time to focus on other tasks – like product development/marketing. • external manufacturers may have better equipment and processes – leading to improved efficiency/product consistency. • this could enhance reputation – supporting growth/sales **Arguments against outsourcing:** • could compromise product quality – resulting on dissatisfied customers • customers may perceive outsourced products as less personal – reducing demand • may conflict with values – especially if the external firm does not share the same environmental standards. • may involve high initial costs or long-term contracts- risky for a small business with limited financial resources. **AO4 Evaluation** *Limited evaluation* EVAL *– unsupported judgement and/or a weak attempt at evaluative comment* *Developed evaluation* E *– supported judgement and/or reasonable evaluative comment* *Developed evaluation in context* EE *– supported judgement in context and/or reasonable evaluative comment in context.* Outsourcing could help NN expand production and reduce Natalia's workload, but it also poses risks to quality, brand identity, and cost control. A hybrid approach may be more suitable – Natalia could outsource part of the production while maintaining control over key processes. This would allow NN to grow sustainably while preserving its unique brand values. Other points might include: • depends on various factors – such as her objectives, resources, capabilities, market conditions • judgement over the most important/influential factor affecting growth of NN • elements that the judgement could depend upon, such as losing control over the quality and consistency of the products, compromising on the natural and organic ingredients used in the products, or damaging the reputation and image of NN • judgement on the implications for cost and NN's ability to compete with big brands • weighing up of the factors and their relative influence on NN's options **Accept all valid responses**	

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