Cambridge International AS & A Level

BUSINESS **9609/32**

Paper 3 Business Decision-making **May/June 2026**

MARK SCHEME

Maximum Mark: 60

Published

This mark scheme contains the instructions and marking guidance that our examiners used to mark candidate responses for this component.

Before they start marking, examiners complete a standardisation process. They review a range of candidate responses and discuss the mark scheme in detail to agree which answers can and cannot be accepted. Examiners award marks where it is clear that candidate responses have met the requirements of the mark scheme. These requirements may vary between different components or different versions of the same component, depending on the exact requirements of the question and the candidate responses seen during the standardisation process.

Sometimes, our mark schemes may allow marks to be awarded to responses which contain elements that are factually incorrect or for content not covered by the syllabus. We do this in response to the demands of a specific question to support candidates and make sure that our assessments are fair. However, these allowances should not be used as a guide for teaching and learning.

We cannot discuss the mark scheme with schools, and we recommend that schools read the mark scheme together with the assessment material and the Principal Examiner Report for Teachers.

This document consists of **28** printed pages.

General marking principles

All examiners must apply these marking principles when marking candidate responses.

1	Examiners must award marks for each response in line with: • the specific **content** defined in the mark scheme • the specific **skills** defined in the mark scheme or in the level descriptions • the **standard of response** required as exemplified by the standardisation scripts.
2	Examiners must award **whole marks** (not half marks, or other fractions).
3	Examiners must award marks **positively**. This means that: • marks are not deducted for errors or omissions • marks are awarded for correct/valid answers as defined in the mark scheme and also for **other valid answers** which go beyond the scope of the syllabus and mark scheme referring to your team leader as appropriate • the quality of spelling, punctuation and grammar are judged **only** when the mark scheme indicates that these features are **specifically assessed** in the question. However, the meaning of all responses must be unambiguous.
4	Examiners must **consistently** apply the requirements of the mark scheme and any rules for what to do when candidates have not followed instructions correctly.
5	Examiners must use the **full range of marks** defined in the mark scheme, unless limited by the quality of the candidate responses seen.
6	Examiners must award marks according to the mark scheme and **must not** award marks with grade thresholds or grade descriptions in mind.

Social Sciences-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).

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.

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 standardisation 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 correct.
✗	For objective points that are wrong.
TV	When the candidate has attempted something, but the mark/skill has not been awarded as the answer is not sufficiently clear.
Highlighter	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.
SEEN	To show a page/section has been seen/read.
REP	The repetition of a previous point in a response **or** the candidate is copying the case study/data.
OFR	The own figure rule applies – acts as a mark/tick.
K	When AO1 has been awarded. The number of Ks should match the mark awarded.

Annotation	Meaning
APP	When AO2 has been awarded. The number of APPs should match the mark awarded.
AN	When AO3 at Level 1 has been awarded.
L2 AN	When AO3 at Level 2 has been awarded.
EVAL	When AO4 at Level 1 has been awarded.
L2 EVAL	When AO4 at Level 2 has been awarded.
L2	When AO3 or AO4 has been awarded at Level 2.
L3	When AO4 has been awarded at Level 3.

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.
- For AO3 and AO4 L2 and L3 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.

Question	Answer	Marks
1	**Analyse two factors that may have determined the site for the relocation of CC's showroom.**	8

Level	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 4 marks
2			**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.
1	**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.	**1–2 marks** • Application of **two** relevant points to a business context. • Application of **one** relevant point to a business context.	**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.
0	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.

Question	Answer	Marks
1	**Note:** • If more than two factors are identified reward the best two. • L2AN (3 marks) is possible for just one point made. • All annotation (K APP AN L2) should be in the left margin. **AO1 Knowledge and understanding** Definition of relocation as the process of moving a company's physical operations, offices, or facilities from one location to another. Knowledge and understanding of factors affecting location, including: • Fixed costs – such as rent, mortgage and utilities at the location • Labour costs • Transportation costs • Distance from market • Passing trade /revenue • Government grants • External economies of scale – such as concentration, access to specialised suppliers and infrastructure • Investment appraisal data – such as time to recoup investment, rate of return and present value • Safety – such as risks of pollution, public liability. • Future expansion plans • Owners/managers preference • Ethical considerations – such as redundancies. • Environmental concerns • Infrastructure – such as road/sea/train access, IT and internet availability. • Legislation and regulations • Proximity to competition	

Question	Answer	Marks
1	**AO2 Application** *Limited application,* APP *applies knowledge to CC once.* *Developed application,* APP + APP *applies knowledge to CC twice.* *Max one* APP *for application for the first element and max one* APP *for application for the second element.* Application is making use of relevant case information not just repeating it. (See examples under AN.) • On busy road linked to more passing trade / greater visibility for customers / ease of access for customers • Allows customers to view cars and take them for a test drive • Can store 70 cars in inventory • Employee and customer parking for additional 30 cars • Two other competitor car showrooms within 5 kms • City A – 9 km away, population of 0.5 m • City B – 21 km away, population of 0.2 m • Offices for directors and managers (managers may be made redundant if delayering occurs) • Area for internet sales **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.* • Fixed costs; If the fixed costs decrease K because the showroom is no longer in the city centre APP, then CC will have less of these costs to apportion to the cars that it sells. This is likely to enable CC to reduce prices AN – which can lead to higher demand, more sales revenue and higher profit. L2 AN • Labour costs; if CC has to pay higher wages to its staff K because of the relocation then this will increase its variable costs AN – leading to lower profitability. L2 AN • Transportation costs; the additional distance from city A may increase or decrease the cost to transport cars AN. • CC may have chosen its new location to increase overall access to its potential customers K as it may now be closer to city B whilst remaining only 9 km from city A APP. Therefore, its potential market is greater and this could result in higher car sales AN. • Passing trade /revenue; located on a busy road APP , so likely to increase number of targeted customers (in cars) AN Accept all valid responses.	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>Analyse <u>two</u> difficulties CC may have when valuing inventory.
<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>
</td><td>8</td></tr>
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Question	Answer	Marks
2	**Indicative content** **AO1 Knowledge and understanding** Definition of inventory: all the goods and materials a business holds to support production, facilitate operations, and ultimately, create sales. Knowledge and understanding of difficulties a business might have when valuing inventory, including: • Market price fluctuations (supply and demand) • Inaccurate inventory counts • Depreciation • Choosing the right valuation method (Net realisable value - accept, but do not require FIFO, LIFO etc.) • Changing legislation/regulations • Inflation • Damage/theft/obsolescence • Tax liability • Financial reporting • New product/model/car development **AO2 Application** *Limited application, APP applies knowledge to CC once.* *Developed application, APP + APP applies knowledge to CC twice.* *Max one APP for application for the first element and max one APP for application for the second element.* Application is making use of relevant case information not just repeating it. • Manufacturers are likely to be updating their models regularly and may bring out new models regularly and this will impact depreciation of CC inventory • CC holds inventory of different types of cars – gas (petrol) and electric – with different rates of depreciation • Inflation in country W is currently high affecting the value of inventory • Use of table 1.2; $1 250 000 in 2022 (with 4.52 inventory turnover) $1 500 000 in 2023 (with 4.67 inventory turnover) $2 000 000 in 2024 (with 7.75 inventory turnover) $2 500 000 in 2025 (with 8 inventory turnover)	

Question	Answer	Marks
2	• Value of current inventory (Table 1.3) at cost: Model A – $288 000 Model B - $360 000 Model C - $360 000 Model D – $594 000 Model E - $708 000 Total value - $2 310 000 **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.* • Market price fluctuations (supply and demand); Prices are a reflection of the level of supply and demand. As these change, the value and price of the product will also change AN. Therefore, it will be more difficult for CC to budget its future profit. L2 AN (Bought a car for $10 000 planning to sell for $12 000 but due to market change prices have dropped to $9000. So CC planned to make a profit of $2000 but the NRV now shows a loss of $1000). • Depreciation; since each car (inventory) will lose value as it ages, cars which are kept in inventory for any length of time are likely to lose value from when they were first purchased from a supplier K . This is likely to reduce the price of each car AN and therefore reduce revenue and profit L2 AN. • Using the right valuation method. CC should value its inventory at cost price or net realisable value (whichever is lower) K . If valued at NRV, CC may not value their inventory correctly, which could lead to decisions being made on inaccurate accounts AN having long term implications for the financial management of CC. L2 AN • New product development; causes obsolescence as manufacturers bring out new models, this is likely to devalue the previous model AN, possibly reducing the value of a car below cost price (especially if the car has been in held for a long time) – reducing CC's revenue and profit L2 AN. Accept all valid responses.	

Question	Answer	Marks
3(a)	**Using the data from Figure 1.2, calculate the span of control for the showroom sales manager.** Span of control - the number of subordinate employees directly accountable to a manager. Showroom Sales Manager has a span of control of 11 (1) Answer = 11 (1)	1
3(b)	**Using the data from Table 1.1, calculate the accounting rate of return (ARR) for the proposed Enterprise Resource Planning (ERP) programme.** 1 mark max for any or all of the following ARR = $\frac{\text{average profit}}{\text{average investment}} \times 100$ (1) **OR** Total profit = (\$125 000) + \$25 000 + \$50 000 + \$50 000 + \$60 000 = \$60 000 (1) **OR** Average investment = (\$125 000 + \$0) / 2 = \$62 500 (1) 2 marks max for any or all of the following Average profit = \$60 000 / 4 years = \$15 000 (2) **OR** $\frac{\$15\,000}{\$62\,500} \times 100$ (2) = 24% or 24 (3) **Note for examiners:** 46.25 or 46 250 (1 mark) 46.25 / 62.5 × 100 = 74% (2 marks) 15 / 125 × 100 = 12% (2 marks) Own Figure Rule	3

Question	Answer	Marks
3(c)	**Evaluate whether the directors should delayer CC's organisational structure.**	**12**

Level	**AO1 Knowledge and understanding** **2 marks**	**AO2 Application** **2 marks**	**AO3 Analysis** **2 marks**	**AO4 Evaluation** **6 marks**
3				**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.
2	**2 marks** **Developed knowledge** of relevant key term(s) and/or factor(s) is used to answer the question.	**2 marks** **Developed application** of relevant point(s) to the business context.	**2 marks** **Developed analysis** that identifies connections between causes, impacts and/or consequences.	**3–4 marks** **Developed evaluation** • A developed judgement/conclusion is made. • Developed evaluative comments which balance some key arguments.
1	**1 mark** **Limited knowledge** of relevant key term(s) and/or factor(s) is used to answer the question.	**1 mark** **Limited application** of relevant point(s) to the business context.	**1 mark** **Limited analysis** that identifies connections between causes, impacts and/or consequences.	**1–2 marks** **Limited evaluation** • A judgement/conclusion is made with limited supporting comment/evidence. • An attempt is made to balance the arguments.
0	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.

Question	Answer	Marks
3(c)	Responses may include **AO1 Knowledge and understanding** Knowledge and understanding of delayering, its benefits and limitations including: • The removal of a level of management • Makes the organisational structure wider • Increased span of control • Reduces a barrier to communication • Typically used for middle-managers • May increase the autonomy of the workers (less supervision) • Reduce the costs of employment (less employees) • May speed up decision making • May increase employee engagement and motivation • Structure may be more agile and allow for greater organisational flexibility • Potential for redundancies • Increased workload for remaining employees • Loss of experience • Less oversight of business decision making.	

Question	Answer	Marks
3(c)	**AO2 Application** *Limited application, APP applies knowledge to CC once.* *Developed application, APP + APP applies knowledge to CC twice.* Application is making use of relevant case information not just repeating it. • One showroom sales manager and one internet sales manager being considered for redundancy • Unclear which directors the managers are currently answerable to. • Use of Figure 1.2, including: MD span of control – 5 Directors span of control – 2 Showroom sales manager span of control – 11 (OFR from **Q3(a)**) Internet sales manager – 6 • Purchase of ERP programme to take over some of the managers' functions • ERP programme costs $125 000 • ERP programme has a lifetime of four years with no residual value • ERP programme has an ARR of 24% (OFR from **Q3(b)**) • ERP programme has a payback of 3 years	

Question	Answer	Marks
3(c)	**AO3 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2AN *– candidate shows two or more links in the chain of analysis.* Arguments for the delayering, including: • Reduced (ongoing) labour costs from the redundancy of the two managers will reduce fixed costs AN and therefore increase profitability L2AN. • Quicker communication (shorter chain of command) from less levels for messages to move between, which may lead to faster and better decision making AN – leading to improved marking and increased sales and profit L2AN. • Increased opportunities for delegation lower in the organisation and some control may pass to subordinates which may increase the motivation of the employees AN – increased quality of customer service, increased revenue and profit L2AN. • Employees may feel 'closer' to the directors, which may increase motivation AN. • Increased flexibility/agility for the organisation as it may be able to adapt to market and economic changes more easily than before AN. Employees will be able to feed back to directors about these changes leading to better decision making – increased revenue and profit L2AN. Arguments against delayering, including: • Redundancy of the two managers may increase business costs in the short term due to redundancy payments AN resulting in increased cash outflows from CC L2AN . • Initial cost of the ERP programme will increase CC's cash outflows which may result in liquidity issues for CC AN. • Employees who are left at CC may fear their jobs will be made redundant, reducing motivation, AN which may decrease productivity/sales L2AN – reducing profit. • Loss of experience as the two managers will have a great deal of experience from CC – may lead to increased costs and reduced profit AN. • Directors will have a wider span of control with no clear lines of who is managing which departments. This may lead to uncoordinated decision making and confusion AN which may affect CC's customers and lead to a poor reputation and lower sales and profit L2AN.	

Question	Answer	Marks
3(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 context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • However statements after analysis showing an alternative view of the point being explained • 1 EVAL for an answer showing an undeveloped but balanced view. • A justified judgement whether (or not), CC should delayer its organisational structure. • What the judgement might depend upon, such as; objectives of the firm, changes in external influences, the actions of competitors, the skill of the remaining employees etc. • The extent to which delayering may be suitable for CC. • Different perspectives over whether CC should delayer its organisational structure, including; Shareholders – may only be interested in the short-term and therefore may benefit from cost savings of delayering and less concerned about the long-term impacts on decision making and revenue. Customers – unlikely to encounter this issue, except when something goes wrong ('may I speak to the manager'). If there are no managers available, will the directors be willing to take over this customer facing role? Accept all valid responses. Evaluation L3 example Olivia and her board of directors must carefully consider all potential impacts before deciding to delayer CC. The finance director's suggestion may be aimed at cost cutting and facilitating investment in ERP software, but the sales managers and ERP play very different business roles. ERP will be able to take over some of the administration and resource planning work but not the customer interaction, that is so important in a retail car business. The loss of the sales managers may lead to customer dissatisfaction and less sales of cars, due to less personal service. However, if the sales teams have the experience and skills needed they may be able to take on some of the responsibilities. There is also the increased responsibility on other directors to be considered, as well as the overall objectives of CC. If the vision is to downsize human resources and upsize reliance on technology then the delayering decision may be a first step.	

Question	Answer	Marks
4(a)	**Using the data from Table 1.2, calculate the change in CC's rate of inventory turnover between 2024 and 2025.** Inventory turnover = $\frac{\text{cost of sales}}{\text{Average inventory}}$ (1 mark if no accurate calculation shown) 2024: 15 500 / 2000 = 7.75 **OR** 2025: 20 000 / 2500 = 8 (2) 7.75 and 8 (3) Answer = 8 – 7.75 = 0.25 (4) OR 3.23% 0.25% (3) Note for examiners: Where inventory turnover days has been calculated award the following: Average inventory / cost of sales × 365 (0) 2024: 200 / 15 500 × 365 = 47.1 (days) (1 mark) 2025: 2500 / 20 000 × 365 45.6 (days) (1 mark) 45.6 – 47.1 = –1.5 (decrease of 1.5 days) (3 marks) Allow appropriate rounding in calculation Own Figure Rule	4

Question	Answer	Marks
4(b)	**Evaluate the importance for CC of forecasting sales.**	**12**

Level	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 2 marks	AO4 Evaluation 6 marks
3				**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.
2	**2 marks** **Developed knowledge** of relevant key term(s) and/or factor(s) is used to answer the question.	**2 marks** **Developed application** of relevant point(s) to the business context.	**2 marks** **Developed analysis** that identifies connections between causes, impacts and/or consequences.	**3–4 marks** **Developed evaluation** • A developed judgement/conclusion is made. • Developed evaluative comments which balance some key arguments.
1	**1 mark** **Limited knowledge** of relevant key term(s) and/or factor(s) is used to answer the question.	**1 mark** **Limited application** of relevant point(s) to the business context.	**1 mark** **Limited analysis** that identifies connections between causes, impacts and/or consequences.	**1–2 marks** **Limited evaluation** • A judgement/conclusion is made with limited supporting comment/evidence. • An attempt is made to balance the arguments.
0	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.

Question	Answer	Marks
4(b)	**Indicative content** **AO1 Knowledge and understanding** Knowledge and understanding of the need/importance of forecasting sales, including: Knowledge of sales forecasting – reference to time series analysis / moving averages / Delphi method (panel of experts) • To understand the need/demand for inventory • To understand the need for labour • To better forecast cashflow • To budget (commission, peaks troughs) • To predict peak and non-peak times for sales and compare with capacity • To enable good pricing decisions (supply and demand) • To benchmark against competitors • To set sales targets • To avoid holding too much, or too little inventory **AO2 Application** *Limited application,* APP *applies knowledge to CC once.* *Developed application,* APP + APP *applies knowledge to CC twice.* Application is making use of relevant case information not just repeating it. • Two competitor car showrooms within 5kms • Models being launched by manufacturers (make forecasting more difficult) • Significant increase in country W's GDP over the last five years • 35% growth in EV models (how sustainable?) • Country W has high inflation (more difficult to forecast sales) • Showroom capacity is 70 cars • Proposal that both sales managers are made redundant • Proposal for a new ERP programme to take over most of the managerial functions currently performed by the two middle managers • CC held an average of 2.5m inventory in 2025	

Question	Answer	Marks
4(b)	**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.* **Advantages of sales forecasting, including:** • Managing cashflow; forecasting allows CC to manage the peaks and troughs in seasonal cash flows and therefore to arrange finance as required AN avoiding liquidity problems L2 AN. • Improved inventory management; Tofua is concerned about the quantity of inventory APP. Sales forecasting could enable CC to reduce inventory held but still meet customer demands AN thus reducing the opportunity cost of holding inventory L2 AN. • Will help with workforce planning enabling CC to prepare for anticipated increase in demand AN by recruiting mechanics APP in time and thus reduce any potential customer dissatisfaction which could reduce CC's reputation L2 AN. **Limitations of sales forecasting, including:** • Requires significant historical data, but CC has less than two years of sales data at the new showroom APP, so the directors may make poor decisions AN – leading to a weak marketing mix and lower revenue and profit L2 AN. • If the forecast is inaccurate then this could result in overstocking of cars AN which would increase the costs of CC and result in higher depreciation prior to sales L2 AN.	

Question	Answer	Marks
4(b)	**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.* • However statements after analysis showing an alternative view of the point being explained • 1 EVAL for an answer showing an undeveloped but balanced view. • A justified judgement of the need/importance for CC of forecasting sales. • What the judgement might depend upon, such as; objectives of the firm, changes in external influences, the actions of competitors, the skill of the employee etc. • Markets are dynamic and unpredictable, therefore, to be useful sales forecasts need to be revised frequently to take account of the changing external environment. Accept all valid responses. Evaluation L3 example Sales forecasting is very important in all retail businesses, especially those that face seasonal demand and frequent update of car models, such as CC. Forecasting using past sales figures and keeping in mind external influences, such as trends in incomes/GDP will help CC to plan resources and have enough inventory, and range of vehicles to meet demand effectively. However, in this case, the new showroom is a recent move and most past sales data will relate to the previous location, so may not be completely relevant. Customer needs in this dynamic market for cars also change quickly, so there will be a need to continually update forecasts in order to be useful. Market research will be as important to keep in touch with the latest trend in car sales, such as an increase in demand for electric cars.	

Question	Answer	Marks
5	**Evaluate the extent to which economic factors may impact CC's decision making.**	12

Level	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 2 marks	AO4 Evaluation 6 marks
3				**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.
2	**2 marks** **Developed knowledge** of relevant key term(s) and/or factor(s) is used to answer the question.	**2 marks** **Developed application** of relevant point(s) to the business context.	**2 marks** **Developed analysis** that identifies connections between causes, impacts and/or consequences.	**3–4 marks** **Developed evaluation** • A developed judgement/conclusion is made. • Developed evaluative comments which balance some key arguments.
1	**1 mark** **Limited knowledge** of relevant key term(s) and/or factor(s) is used to answer the question.	**1 mark** **Limited application** of relevant point(s) to the business context.	**1 mark** **Limited analysis** that identifies connections between causes, impacts and/or consequences.	**1–2 marks** **Limited evaluation** • A judgement/conclusion is made with limited supporting comment/evidence. • An attempt is made to balance the arguments.
0	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.

Question	Answer	Marks
5	**Indicative content** **AO1 Knowledge and understanding** Knowledge and understanding of economic factors, including: • Economic factors influence demand and supply in the economy. • Factors may include: - Level of unemployment, - Rate and volatility of inflation, - Rate of economic growth – change in GDP - Government policies used to achieve macroeconomic objectives (monetary policy, fiscal policy, supply-side policy and exchange rate policies) **AO2 Application** *Limited application,* APP *applies knowledge to CC once.* *Developed application,* APP + APP *applies knowledge to CC twice.* Application is making use of relevant case information not just repeating it. • GDP in country W has increased significantly in the last five years link to impact on demand for cars • Price of gas (petrol) • In 2024, CC purchased a large plot of land on a busy road link to GDP growth • Investment in showroom was financed by a bank loan link to interest rates • Proposal to invest in an ERP programme link to interest rates • Cleaners paid country W minimum wage link to inflation • High inflation rate in country W link to demand for cars and wage demands • Mechanics paid a relatively high salary due to a skills shortage in country W	

Question	Answer	Marks
5	**AO3 Analysis** *Limited analysis* AN *– candidate shows analysis of the impact of economic factors(s) on CC.* *Developed analysis* L2 AN *– candidate links impact to decision made by CC.* Analysis of impacts of economic factors may include: • Economic growth may lead to greater consumer income in country W, which is likely to lead to more purchasing of normal and luxury goods AN. (Decision) Therefore, CC may decide to stock more expensive car models such as EVs L2 AN • Higher incomes as a result of economic growth may result in a decrease in the demand for lower priced cars (gas), but an increase in higher priced cars (electric). Therefore, CC may need to discount prices of gas models in order to move inventory L2 AN • High level of inflation may impact CC's business costs. High inflation is likely to lead to employees demanding higher wages, in CC and higher prices from suppliers AN. This may result in CC making employees redundant to control costs and/or negotiate with car manufacturers for better deals L2 AN. • A depreciation in country W's exchange rate will impact the cost of importing cars AN and therefore CC may decide to reduce the amount of inventory held to reduce cash outflows. expensive in other countries due to fluctuations in the exchange rate L2 AN.	

Question	Answer	Marks
5	**AO4 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment or focus of judgement is only on the impact of economic factors on CC.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment linking economic factors to impact on decisions.* *Developed evaluation in context* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context linking economic factors to impact on decisions.* **Note** To achieve L2/L3 EVAL marks the candidate must show judgement / balanced argument of the likely impact of economic factors on CC decision making. • However statements after analysis showing an alternative view of the point being explained • 1 EVAL for an answer showing an undeveloped but balanced view. • The extent to which economic factors may have an overall positive or negative effect on CC (L1 EVAL). • A justified judgement of the likely impact of economic factors on CC decision making. • What the judgement might depend upon, such as; objectives of the firm, changes in other external influences, the actions of competitors, the skill of the directors, accuracy of sales forecasts, price elasticity of demand, income elasticity of demand etc. Accept all valid responses. Evaluation L3 example Economic factors will impact all decisions made by CC. A profit driven retail business needs to keep up with macro-economic trends such as inflation and economic growth. There are also government policies to consider. If economic trends are negative for real incomes, then some consumers may ’trade down’ to cheaper car models. However, demand at the top end for very luxurious car models may be ‘inflation proof’ to some extent as very high income will still buy. However, there are also other external factors that are as important, such as government policies towards the change to electric vehicles. If subsidies are offered to consumers, then more will switch away from petrol models. Therefore, CCs decisions will be impacted by a wide range of external factors, not only those related to economic changes.	