Cambridge International AS & A Level

BUSINESS **9609/33**

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.

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.
- L2 & 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 <u>two</u> likely benefits to RR of introducing lean production.**	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.

Note:
- If more than two benefits are referred to, reward the best two.

All annotation (K APP AN L2) should be in the left margin.

Question	Answer	Marks
1	**Responses may include:** **AO1 Knowledge and understanding** Definition of lean production: any business process that aims to reduce waste. Producing a quality output with fewer resources (max K1 mark) This could include: • Empowerment of workers • Efficient use of capacity • JIT • TQM, including checking of quality by workers at each production stage • Quality circles • Kaizen – continuous improvement. Knowledge of benefits of a lean production approach Benefits include: • Reduced inventory levels • Decreased quantity of defective goods • Closer working relationships with suppliers e.g. more regular visits to monitor supplier's working practices, discuss product development etc • Improved quality • Improved customer service • Reduced operating costs **AO2 Application** *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. • High quality and fresh materials are essential for RR's marketing strategy. • Wastage levels of beauty product ingredients could be costly unless inventory levels are closely monitored. • Many of the ingredients in RR's products are fresh and unique to the region it operates from. • RR's USP depends on high quality throughout the production process from ingredients to retail sales.	

Question	Answer	Marks
1	**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.* • Consistent high-quality products therefore meeting customer expectations AN and so increasing sales L2 AN. • Lean production methods will reduce wastage of expensive fresh ingredients therefore reducing unit costs AN resulting in an improvement in operational profit margins L2 AN • Using JIT reduces the storage space required for stock, therefore this will reduce warehousing costs for materials and finished products AN which will potentially increase profit L2 AN. Accept all valid responses.	

Question	Answer	Marks
2	**Analyse one advantage and one disadvantage for RR of Reeta's leadership.**	**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.

Note:
- Only reward one advantage and one disadvantage

Question	Answer	Marks
2	**Responses may include:** **AO1 Knowledge and understanding** Definition of leadership (max K1 mark): The ability to inspire, guide, and influence a team to achieve organizational goals. It combines strategic vision, emotional intelligence, and the capacity to drive innovation Theories of leadership: • Great person • Trait • Behavioural • Contingency • Power and influence • Transformational • Management styles – autocratic versus democratic • Hard v soft HRM **AO2 Application** *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. **Advantages** • Reeta seems to demonstrate many trait theory qualities e.g. determination and energy, drive and motivation to succeed, good judgement and decision-making skills • Until now, Reeta might be considered a transformational leader e.g. inspiring employees towards achieving the leader's vision. • Reeta has a clear vision for RR e.g. only local supply chain, only sales via retail stores, the importance of all employees and customer service. • Her leadership qualities appear to have been successful e.g. the interest from FSA to acquire a share of RR. • Reeta has established a culture of employees sharing pride in RR's products. **Disadvantages** • Perhaps of late, Reeta has been less effective as a transformational leader e.g. ignoring online sales opportunities despite her managers' views. This could be seen as not offering new challenges for her managers and hardly transformational.	

Question	Answer	Marks
2	• Her leadership approach might be the reason for the staff turnover problems. • Her leadership qualities are failing to use the full potential of RR's management team. Are they beginning to question her 'great person' leadership qualities? • Reeta would appear to be an autocratic leader who expects her employees to have pride in RR products, but does not offer training or promotion opportunities **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** • Reeta's decisive leadership has developed RR into a well-respected brand AN this has led to growth in stores and sales L2 AN. • Reeta's decisive workforce planning has enabled her to carry out her vision for RR AN the focus on product quality and customer service seems to have contributed to RR's growth L2 AN. • Reeta's decisive operational management decisions have delivered the high-quality products she planned for AN as a result customer satisfaction levels are high and so there have been increased sales L2 AN. • Reeta's leadership qualities are attracting potential investment from a market leader this could lead to significant growth for RR AN **Disadvantages** • Reeta's judgement with regard to marketing decision making, such as not selling online, might mean that further opportunities have been missed/delayed AN resulting in lower market share and profitability L2 AN. • Reeta's lack of leadership qualities/ autocratic management style might be the reason for the increasing staff turnover leading to a loss of talented managers AN and ultimate decline in RR's sales and profitability L2 AN. • Reeta's dogmatic operational management decisions such as only using local ingredients might lead to lack of materials for production and/or insufficient product output AN this could be disastrous with a rapid decline in sales, customer satisfaction, profitability and cash flow crisis L2 AN. Accept all valid responses	

Question	Answer	Marks
3(a)	**Using the data in Table 1.1, calculate the percentage increase in the exports of country X between 2016 and 2025.** **Indicative content** Percentage change = (2025 Exports–2016 Exports(/2016 Exports)) × 100 = (528–309(/309)) × 100 = (219/309) × 100 = 70.87% OR 70.9% OR 71% (1) **Note:** % not required	**1**
3(b)	**Using the data in Table 1.1, calculate the income elasticity of demand for luxury beauty products in 2025.** **Indicative content** Responses may include: Income Elasticity of Demand= % change in demand/ % change in consumer incomes (1 mark if no relevant calculation) % change in demand= (143.2-49.4/49.4) × 100 = 93.8/49.4 × 100 = 189.88% (1) % change in income= (9550-5100/5100) × 100 = 87.25% (1) Income elasticity of demand = 189.88/87.25 = 2.176 (3) Accept: 2.18 or 2.2 Note: Incorrect units e.g.% (2) OFR	**3**

Question	Answer	Marks
3(c)	**Evaluate the likely impact on RR of the rapid economic growth in country X between 2016 and 2025.**	**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** Understanding of economic growth and consequences / impacts including: • Economic growth means that a country is becoming richer. • Economic growth is measured by an increase in real level of GDP. • GDP increases as a result of increases in the physical output of goods and services in an economy. • Real GDP growth raises average living standards. • Higher GDP usually results from increased employment levels. • Economic growth is likely to lead to reduced unemployment levels. • Economic growth may lead to inflation. **AO2 Application** *Limited application,* APP *applies knowledge to RR once.* *Developed application,* APP + APP *applies knowledge to RR twice* Application is making use of relevant case information not just repeating it. • Unemployment % rate has been halved in just nine years • Exports have increased by 70.87% • % consumer inflation has increased by 2.5% points • Average annual income has increased by 87.3% in real terms • Average luxury goods demand has increased by 189.9% in real terms • Income elasticity of demand has risen to 2.18 from 1.2. **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.* *Economic growth may result in:* • Declining unemployment rates may result in recruitment issues for RR this might lead to a lower quality of candidates with a lack of necessary skills AN which could impact on RR's revenue and profitability L2 AN. • The increase in consumer inflation could impact on RR's costs e.g. materials and wage demands from employees AN this could lead to lower profitability if RR is unable to pass on the increase in costs to consumers L2 AN • The significant increase in average incomes/luxury goods demand/income elasticity of demand is likely to have a positive impact on RR's growth plans AN this means that sales revenue is likely to grow along with profitability assuming costs can be controlled. L2 AN.	

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. • The extent to which economic growth may have an overall positive or negative effect on RR (L1 EVAL). • A justified judgement of the likely impact of economic growth on RR. • The impact of the declining unemployment rates depends upon whether the regional unemployment rates are higher or lower than the national rates. RR’s reputation for treating employees well with good pay and conditions might well reduce the impact of the decreasing unemployment rates. • The rapid growth in exports is unlikely to have a direct impact on RR unless the business decides to change it’s marketing strategy. Therefore, this opportunity might be lost and so this important element of economic growth will be insignificant. • The increase in consumer inflation might have a reduced impact on RR if its suppliers have been tied into long term contracts. However, RR is likely to face wage demands especially if the supply of labour is reduced by the lower unemployment rates. • The increase in consumer inflation is likely to lead to tighter monetary policy in Country X with increases in central bank interest rates. If RR is funding growth through borrowing, the business will face higher interest charges on loans and overdrafts. • The rising average incomes and demand for luxury goods will only be an opportunity if RR has the capacity to meet the level of demand. The reluctance to sell its products online might also reduce the positive impact on RR. The attractiveness of the growth in luxury goods might well lead to greater competition due to new domestic/international business entrants to the beauty and wellness market. • Whether the rapid economic growth has a positive or negative impact on RR depends upon whether the business can adapt to take full advantage of the opportunities (exports, luxury goods demand) and minimises the threats (recruitment, wage inflation, materials inflation, new entrants to the market). Accept all valid responses.	

Question	Answer	Marks
4(a)	**Using the data in Table 1.3, calculate the net present value (NPV) of the information technology (IT) proposal investment.**	4

Responses may include:

Year	$ millions	Discount Factor @ 15%	Discounted Cash Flow (DCF) ($m)	DCF ($m) Two decimal points	DCF ($m) One decimal point
0	(8.0)	1.00	(8.00)	(8.00)	(8.0)
1	2.0	0.87	1.740	1.74	1.7
2	3.0	0.756	2.268	2.27	2.3
3	4.0	0.658	2.632	2.63	2.6
4	5.0	0.572	2.860	2.86	2.9
		Total DCF (Years 1–4)	9.500	9.50	9.5
		Net Present Value	1.500	1.50	1.5

Net present value (NPV) = Total discounted cash flows – capital cost (1 mark if no correct calculations).
At least one correct discounted cash flow (DCF) for years 1 to 4 (1 mark)
Cumulative DCF of $9.5m for years 1 to 4 (2 marks)
NPV = $9.5 – $8.0 (3 marks)
NPV = $1.5 million OR 1.5m (4 marks)
Note: $1.5 OR 1.5 (3 marks)
Allow rounding of DCFs to one decimal point or two decimal points, see table.
OFR

Question	Answer	Marks
4(b)	**Evaluate whether RR should invest in the information technology (IT) proposal to support its international expansion.**	**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)	**Responses may include:** **AO1 Knowledge and understanding** • Direct selling is the channel of distribution where the final consumer buys direct from the manufacturer. Factors in the decision • Online selling allows manufacturer greater control over the relationship with consumers. • Online selling allows manufacturer to offer greater discounts to consumers. • Online selling allows RR to collect accurate primary market research. • Cost of IT investment v cost of opening retail stores • Profitability of each option • Impact on brand image **AO2 Application** *Limited application,* APP *applies knowledge to RR once.* *Developed application,* APP + APP *applies knowledge to RR twice* According to the 2025 market research • Investment cost is $8m • Well over half (60%) felt visiting store was a key factor in their purchase, could support retail store model, against IT investment. • Nearly half (45%) would consider buying online, could be seen as a positive point for IT investment. • Online sales are forecast to increase much faster than in store sales (online 125%, retail store 5%) • The net present value of $1.5m is positive at a discount factor of 15%. • Payback is 2 years and 9 months • ARR is 37.5% **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.* • Income elasticity of demand suggests RR products are considered to be a luxury. This may imply RR's customers don't consider price to be a major factor when making purchases AN This implies that the attraction of lower priced online products from RR might not increase revenue and possibly reduce profitability L2 AN. • 60% of RR customers seem to greatly value visiting a store, which is a concern if RR does go online AN. This could mean that the team's cash flow projections are too positive L2 AN.	

Question	Answer	Marks
4(b)	• The fact that 45% would consider buying online is better news for the team AN and is positive if the online purchases are in addition to store purchases. This would lead to greater sales revenue and profitability L2 AN. • Online sales for this market are about to boom with a 124.6% increase in just one year AN. This makes online marketing a great opportunity for RR to increase sales and profitability L2 AN. • In store sales for this market are set to increase by just 4.85% in the same period AN. This means that RR's growth opportunities would be far less impressive L2 AN. • RR's sales forecast for 2030 is just $32 million up from $30 million, this is just 6.67% AN. This suggests that RR's sales growth is being constrained by a lack of online presence L2 AN. • The NPV figure of $1.5 million is positive. Basing a decision on this alone means that RR should go ahead with the online project . AN • Online marketing is also an opportunity for RR to begin to export without the set-up costs of retail stores AN this could be a method to gather market information to eventually launch retail stores in countries where online demand is highest 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.* • '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 the IT investment may have an overall positive or negative effect on RR (L1 EVAL). • A justified judgement of the likely impact of the IT investment on RR's international expansion. • Evidence from the market research indicates that RR should go ahead with the IT proposal. • The market research evidence is supported by the investment appraisal with a healthy positive NPV of $1.5 million. • However, the final decision must only be made once the quality of the market research information and cash flow forecasts have been reviewed. • The challenge for RR would be to replicate Reeta's vision of customer service to the online market. • Ultimately, the decision lies with Reeta but if she is ambitious as she claims, then using IT to sell online is the best way for RR to grow. Accept all valid responses.	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>Evaluate the usefulness of accounting data to FSA in the decision to purchase shares in RR.
<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
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No creditable response.</td></tr>
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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>
Responses may include:

AO1 Knowledge and understanding
Understanding of usefulness of accounting data to FSA's decision

Profitability – profit margins including ROCE and operating profit margin give indication of returns generated by RR.
Liquidity – whether RR faces problems of solvency providing an indication of risk.
Gearing – indication of exposure to risk but also possible returns to shareholders.
Value of net assets of the business.
% of shares owned shows % of business ownership of RR.
Difficulty of valuing intangible assets such as goodwill in accounting data.
Accounts can be window dressed to show more favourable financial performance.

AO2 Application
Limited application, APP applies knowledge to RR once.
Developed application, APP + APP applies knowledge to RR twice

FSA will become a major shareholder if Reeta agrees to sell 20% of RR's shares.
Growing reputation of RR
CEO of FSA is impressed by Reeta's vision for RR and her leadership values
High financial value placed by Reeta on RR's shares is greater than financial accounts show
RR is a private limited company so accounting data is more limited
RR sales forecast to grow by 6.7%
FSA considering purchasing a 20% stake in RR. FSA will not have a controlling stake.

AO3 Analysis
Limited analysis AN – candidate shows one link in the chain of analysis.
Developed analysis AN L2AN – candidate shows two or more links in the chain of analysis.

Accounting data will show the profitability of RR which will enable FSA estimate future returns that the investment could generate AN, demonstrating whether the high value placed on the shares is realistic and therefore whether FSA should invest. L2AN.
FSA could calculate the gearing ratio from the accounts. High gearing would indicate that RR has a high proportion of loan capital and is therefore a more risky investment for shareholders AN. However, this would also indicate that there is potential for high shareholder reward if the business is successful as profits would be shared between a relatively small number of shareholders. L2AN.

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Question	Answer	Marks
5	• Liquidity ratios would show whether RR faces any likely problems of solvency Low values for the current ratio and/or the acid test ratio would signal to FSA that the investment is more risky as there would be an increased danger of the business being unable to pay debts. AN. • RR has potential for significant growth through changing its marketing strategy to take advantage of the growth in online sales. This will not be reflected in the current accounting data 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.* • 'However' statements after analysis showing an alternative view of the point being explained • 1 EVAL for an answer showing an undeveloped but balanced view. • Supported judgement as to the usefulness of accounting data to the decision. • Accounting data is important to valuing a business and ensuring that FSA does not pay too much for the shares in RR as it provides quantitative evidence of the profitability and risk involved in the decision. • Factors that the usefulness might depend on: The extent to which acquiring RR will fit into the portfolio of products and brands that FSA sells. The expected growth in the market for luxury beauty products. Trends in the accounting data. Is there sufficient accounting data to make a sound judgement of risk and reward? Value of RRs growing reputation may not be reflected in the accounting data as the shares are not publicly traded so there is no market price. Accounting data may not be very useful as there are qualitative factors that FSA should consider such as the visionary leadership of Reeta which adds value to the business beyond that shown by the raw accounting data about assets and liabilities Accept all valid responses.	