CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/43**

Paper 4 Business Strategy **May/June 2026**

1 hour 15 minutes

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You must answer on the enclosed answer booklet.

You will need: Answer booklet (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Follow the instructions on the front cover of the answer booklet. If you need additional answer paper, ask the invigilator for a continuation booklet.

INFORMATION

- The total mark for this paper is 40.
- The number of marks for each question or part question is shown in brackets [ ].

This document has **4** pages.

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Edmund's Hollow Farm (EH)

EH is a farm that grows a range of vegetables which are sold to local retailers (B2B). Ursula bought EH in 2014 using all of her savings. At that time she was a sole trader.

Ursula struggled to make enough revenue from just growing and selling vegetables.

Timeline of EH

2015	Ursula takes out a bank loan (see **Appendix 1**) to build a farm shop to sell her vegetables direct to consumers (B2C).
2016	The farm shop increases EH's revenue (see **Appendix 2**). Ursula decides to stock a wider range of goods to sell in the farm shop.
2017	Ursula is pleased with the performance of the farm shop and decides to expand it. She uses investment appraisal to decide whether to expand the current farm shop or move to larger premises. She uses payback to evaluate these options and decides to move to larger premises.
2018	Ursula believes that opening a café on the farm will increase her revenue even further. To fund this, Ursula decides that EH should become a private limited company. EH becomes a private limited company and sells shares to raise capital for the café (see **Appendix 3**).
2019	Ursula wants to expand EH even further. However, the other directors are concerned about Ursula's rapid expansion of EH. The board of directors review the financial statements published this year (see **Appendix 4**) as they have not received any dividend.
2020–2022	A global pandemic forces the farm shop and café to close temporarily.
2023	EH re-opens the farm shop and café but trade is now low, and they are operating at a loss.
2024	EH's board of directors are concerned for the long-term survival of EH. They think the whole business is at risk because of its rapid expansion. The board of directors decide to review EH's financial ratios (see **Appendix 5**). The board of directors votes to remove Ursula as managing director.
2025	EH's board of directors make the decision to close the farm shop and café permanently. The farm continues to trade by selling a range of vegetables.

Developing a new business strategy

EH's board of directors want the farm to survive but are unsure how to achieve this. A SWOT analysis approach has been suggested as a starting point to developing a new business strategy.

Appendix 1: Details of the loan for the farm shop in 2015

- $65 000 loan amount
- 15% interest per annum
- To be repaid over 7 years
- Gearing of EH after the loan is 35%

Appendix 2: Financial data for EH in 2016

	2016 ($)	2015 ($)	2014 ($)
revenue	146 000	132 500	128 000
gross profit	128 000	110 000	98 500
operating profit	16 000	15 800	15 500

Appendix 3: Details of EH incorporation in 2018

- There are five shareholders, including Ursula.
- Ursula is the managing director, and she owns 45% of the shares.
- Share capital raised $55 000. All of this is spent to open the café.

Appendix 4: Extracts of financial statements for EH 2019

	2019 ($)	2018 ($)
revenue	161 000	159 500
gross profit	99 000	125 500
expenses including interest payments	111 700	107 500
profit for the year	(12 700)	18 000

	2019 ($)	2018 ($)
non-current assets after depreciation	150 000	200 000
current assets	10 000	23 000
current liabilities	44 000*	36 000

* includes bank overdraft of $9000

Appendix 5: Ratios for EH in 2024

- Current ratio = 0.8 : 1
- Acid test = 0.4 : 1
- Return on capital employed = 2%
- Gearing = 65%
- Dividend cover = 0.5 times

Answer **both** questions.

1 Evaluate EH's finance and accounting strategy between 2015 and 2025. [20]

2 'A SWOT analysis approach has been suggested as a starting point to developing a new business strategy.'

Advise the board of directors on **additional** approaches they should use to develop a new business strategy. [20]