Cambridge International AS & A Level

Cambridge Assessment International Education
Cambridge International Advanced Subsidiary and Advanced Level

BUSINESS **9609/33**

Paper 3 Case Study **October/November 2019**

MARK SCHEME

Maximum Mark: 100

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 2019 series for most Cambridge IGCSE™, Cambridge International A and AS Level components and some Cambridge O Level components.

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 descriptors 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.

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.

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>
Analyse the threats to CSP of the changes in the energy market and government policy
<table>
<tr><th>Level</th><th>Knowledge
3 marks</th><th>Application
2 marks</th><th>Analysis
5 marks</th></tr>
<tr><td>2</td><td>3 marks
Good knowledge shown of threats/impact of them.</td><td>2 marks
Points well applied to the case</td><td>4–5 marks
Good use of theory/reasoned argument to explain the likely impact of threats</td></tr>
<tr><td>1</td><td>1–2 marks
Knowledge shown of threats/impact of them.</td><td>1 mark
Some application to the case</td><td>1–3 marks
Some use of theory/reasoned argument to explain the likely impact of threats</td></tr>
<tr><td>0</td><td colspan="3">No creditable content</td></tr>
</table>
Note: Credit impacts on CS as a business, not, e.g. customers unless link is made with CS.

Answers could include

Knowledge:
• Threats – external factors that impact business negatively
• Definitions of terms from text, for example government subsidies, government grants, energy efficiency

Application
• Use of information from text as to what this means for CS, green energy provider, solar panels, ‘green’ mission statement
• Increasing energy efficiency of electrical products
• Withdrawal of government grants from European governments
• Subsidies to individual and business customers have been reduced or removed

Analysis
• Reasoned chain of argument, e.g. governments will no longer be giving grants/subsidies, which will increase productions costs. Will CS need to increase prices of solar panels to customers?
• Electrical devices more efficient now, needing less energy, maybe less incentive for customers to install solar panels?
• May have to drop prices otherwise solar panels out of reach for most householders/small businesses
• Also credit references to technical developments, can CS afford to keep up?
</td><td>10</td></tr>
</table>

Question	Answer	Marks
2(a)(i)	**Refer to Appendix 1. Calculate:** **the operating profit margin for 2018** Units required for full marks OPM = Operating profit / sales revenue × 100 (1 mark if no relevant calculation) 2018: $20 m / $70 m × 100 [1] = 28.57% [2] Accept 28.6% and 29% 28.57 or 28.6 or 29 [1] Forecast OPM: 10 / 72 × 100 = 13.9% [1]	**2**
2(a)(ii)	**the dividend yield for 2018.** Units required for full marks Dividend Yield = Dividend per share / price per share × 100 [1] Dividend per share = total dividend / shares [1] 2018: Dividend per share 5 m / 10 m = ($)0.50 per share [2] 0.50 / $6.50 × 100 [3] = 7.69% [4] 7.69 [3] OFR	**4**

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

Refer to your results in 2(a) and any other information. Recommend to CSP's shareholders whether they should sell their shares in the company.

<table>
<tr><th>Level</th><th>Knowledge
2 marks</th><th>Application
2 marks</th><th>Analysis
4 marks</th><th>Evaluation
4 marks</th></tr>
<tr><td>2</td><td>2 marks
Good knowledge shown of factors</td><td>2 marks
Points well applied to the case</td><td>3–4 marks
Good use of theory/reasoned argument to explain the reasons for keeping/selling shares</td><td>3–4 marks
Good judgement shown in answer and conclusion.</td></tr>
<tr><td>1</td><td>1 mark
Knowledge shown of factors</td><td>1 mark
Some application to the case</td><td>1–2 marks
Some use of theory/reasoned argument to explain the reasons for keeping/selling shares</td><td>1–2 marks
Some judgement shown in answer and conclusion.</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table>

Note: L1 of AN and EVAL if only use results or other information.

OFR applies for results. Answers may include

Knowledge
- Role of shareholders and reasons for buying shares
- Importance of dividends as returns and link with profit
- General reasons for holding/selling shares
- Knowledge of investor ratios

Application
- Comparison of figures from Appendix 2/Use of results
- OPM
  - 2018 $20 m / $70 m × 100 = 28.57%
  - Forecast $10 m / $72 m = 13.89%
  - OPM has decreased by 14.68% points or 14.68 / 28.57 × 100 = –51.38% change
- Dividend yield
  - 2018 $0.50 / $6.50 × 100 = 7.69%
  - Forecast $0.30 / $5 × 100 = 6%
  - Dividend yield has decreased by 1.69% points or 1.69 / 7.69 = –21.98% change
- Dividend paid is forecast to fall by $2 m
- Share price forecast to fall

</td><td>12</td></tr>
</table>

Question	Answer	Marks
2(b)	• Reference to reasons for forecast falling share price, such as less grants and subsidies leading to lower forecast profit • Tammy's strategies for growth • Need for continuing future investment, may depress shareholder returns? **Analysis** • Impact on shareholders as stakeholders • Reasoned arguments for holding or selling, including long term view • Possible ethical objective of investors in CS **Evaluation** • Balance of evidence – for or against? • Are shareholders short term or long term investors? • Accuracy of forecast data? • Long term future bright for greener energy?	

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3</td><td>
Evaluate the Marketing Director's view that 'the greener energy mission statement is the most important factor in the success of our solar panel marketing' (lines 10–11)
<table>
<tr><th>Level</th><th>Knowledge
2 marks</th><th>Application
2 marks</th><th>Analysis
4 marks</th><th>Evaluation
4 marks</th></tr>
<tr><td>2</td><td>2 marks
Good knowledge shown</td><td>2 marks
Points well applied to the case</td><td>4–6 marks
Good use of theory/reasoned argument to explain the likely importance</td><td>4–6 marks
Good judgement shown in answer and conclusion</td></tr>
<tr><td>1</td><td>1 mark
Knowledge shown</td><td>1 mark
Some application to the case</td><td>1–3 marks
Some use of theory/reasoned argument to explain likely importance</td><td>1–3 marks
Some judgement shown in answer and conclusion</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table>
Note: L1 for AN and EVAL if only consider marketing mix 4Ps.

Answers may include

Knowledge
• Mission statement: a formal summary of the aims and values of a company, organization, or individual
• Environmental objectives as part of corporate and marketing objectives
• Marketing planning: including budget, objectives, integrated marketing mix

Application
• CSP are involved in a 'green' industry
• Higher prices and less discounts compared to competitors due to longer guarantee period, but possible to still be 'green' and pay less
• References to consumer's reasons for choosing to install solar panels, but also reasons for buying solar phone chargers and lamps

Analysis
• Development of why green objectives may be important or not – will it attract more customers? Do consumers really care? Are consumers willing to pay higher prices for green energy when subsidies disappear?
• Will the benefit of CSP longer guarantee outweigh competitor's offers of lower prices?
• Possible impacts on company image and reputation
</td><td>16</td></tr>
</table>

Question	Answer	Marks
3	**Evaluation** • Future use if green energy becomes the 'norm' • Judgement as to how important 'green' may be – is price more important? • Risks over long term as more competition in 'green' technology and need to stay 'ahead of the game'	

Question	Answer	Marks
4(a)(i)	**Refer to the table in Appendix 2 and lines 53–57. Calculate:** **the change in capacity utilisation which will result if the special order is accepted** Capacity utilisation = current capacity / maximum capacity × 100 [1 if no relevant working] Current CPU = 32 000 / 44 000 × 100 = 72.7% [1] With special order = 42000 / 44 000 × 100 = 95.45% [1] Therefore change is 22.8% points [4] or change is 22.8 / 72.7 = 31.4% [4] Allow range of answers 22–23% 22.8 [3] 31.4 [3]	**4**
4(a)(ii)	**the change to CSP's profits if the special order is accepted.** Change to profits will be total contribution. Total contribution = contribution per unit × extra output for special order OR Contribution per unit = selling price – variable cost per unit [1 if no relevant calculation] Variable unit cost = 4 + 1 + 1.50 = 6.50 [1] Contribution per unit = $7 – 6.50 = $0.50 [2] Total contribution = $0.50 × 10 000 = $5000 [4] If fixed costs included then –$0.50 × 10 000 = –$5000 negative contribution [3] Profit for the year with special order $85 000 [2] Profit for the year without special order $80 000 [1] Some attempt [1–2 marks]	**4**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>

Refer to your results from <u>4(a)</u> and any other information, recommend whether CSP should accept the special order from X tours.

<table>
<tr><th>Level</th><th>Knowledge
2 marks</th><th>Application
2 marks</th><th>Analysis
4 marks</th><th>Evaluation
4 marks</th></tr>
<tr><td>2</td><td>2 marks
Good knowledge shown of factors</td><td>2 marks
Points well applied to the case</td><td>3–4 marks
Good use of theory/reasoned argument to explain the advantages and disadvantages of special order.</td><td>3–4 marks
Good judgement shown in answer and conclusion.</td></tr>
<tr><td>1</td><td>1 mark
Knowledge shown of factors</td><td>1 mark
Some application to the case</td><td>1–2 marks
Some use of theory/reasoned argument to explain the advantages and disadvantages of special order</td><td>1–2 marks
Some judgement shown in answer and conclusion.</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table>

Note: L1 of AN and EVAL if only use results or other information.

OFR applies for results. (In this case if fixed costs have been included then contribution will be negative). Answers may include

Knowledge
- Meaning of capacity utilisation and why it is important
- Meaning of total contribution and importance in profit calculations
- Relevant points about special orders

Application
- Reference to results
- Application of changes to capacity and profits
- Reference to other points from the text, including nature of special order

Analysis
- Reasons for and against acceptance of special order
  For – addition to profit, better use of resources, could lead to more orders in future.
  Against – capacity utilisation over 95%, no spare capacity for other orders that may be at full price, will it dilute present sales of lamps from other retailers?
- If another order comes in this will put the company over capacity

</td><td>12</td></tr>
<tr><td></td><td>

Evaluation
- Accept or decline order?
- Short/long term?
- Is it a ‘one off’ order?
- Management objectives?

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

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5</td><td>
Evaluate the possible benefits to CSP of the close involvement of employees and the ECE trade union in the workplace.
<table>
<tr><th>Level</th><th>Knowledge
2 marks</th><th>Application
2 marks</th><th>Analysis
4 marks</th><th>Evaluation
4 marks</th></tr>
<tr><td>2</td><td>2 marks
Good knowledge shown</td><td>2 marks
Points well applied to the case</td><td>4–6 marks
Good use of theory/reasoned argument to explain the likely impact of TU involvement</td><td>4–6 marks
Good judgement shown in answer and conclusion</td></tr>
<tr><td>1</td><td>1 mark
Knowledge shown</td><td>1 mark
Some application to the case</td><td>1–3 marks
Some use of theory/reasoned argument to explain the likely impact TU involvement</td><td>1–3 marks
Some judgement shown in answer and conclusion</td></tr>
<tr><td>0</td><td colspan="4">No creditable content</td></tr>
</table>
Note: Benefits must be to CSP. If impact on employees then this should be linked to what it may mean for the business.

Knowledge
• Role of HRM
• Employee participation
• Role of TU in HRM
• Importance of collective bargaining
• Knowledge of principle of linking pay with profits (profit sharing) and high quality work (target setting?)

Application
• CSP production staff are likely to be relatively unskilled
• They are currently involved in decision making through the TU and can also put forward suggestions.
• How might pay, in this case be linked to profit and high quality work, e.g. through some form of QA or TQM, linked with solar panel production and/or necessity for high quality reference to case
• What may be TU objectives in this case?
• Job losses? Possibility of less pay as paid on piece rate at present
</td><td>16</td></tr>
</table>

Question	Answer	Marks
5	**Analysis** • Impacts on CSP as a company, such as de-motivated insecure staff • Benefits of collective bargaining in this case • Impact on labour costs – may decrease, but may need to recruit more workers who are more skilled, so more costs **Evaluation** • Long/short term impacts • References to economic factors, e.g. falling unemployment • Management of change issues • Relationship with TU issues	

Questions 6 and 7 use the following marking grid.

Level	Knowledge 3 marks	Application 3 marks	Analysis 4 marks	Evaluation 10 marks
3				7–10 marks Good judgement throughout with well supported conclusion/recommendations focused on the case
2	3 marks Good knowledge shown of factors	3 marks Points well applied to the case	3–4 marks Good use of theory/reasoned argument to explain the advantages and disadvantages or uses.	4–6 marks Some judgement shown in the main body of the answer and an attempt to support conclusion. ***OR*** Well supported conclusion/recommendation focused on the case.
1	1–2 marks Knowledge shown of factors	1–2 marks Some application to the case	1–2 marks Some use of theory/reasoned argument to explain the advantages and disadvantages or uses.	1–3 marks Limited attempt to show judgement either within the answer ***OR*** a weakly supported conclusion/ recommendation with some focus on the business in the case
0	No creditable content			

Question	Answer	Marks
6	**Discuss the usefulness of strategic choice techniques for the directors of CSP when making a choice between options A and B.** **Note: Limit to L1 if no knowledge of specific techniques** **Knowledge** • Meaning of strategic choice • Ansoff, force field analysis, decision trees as SC techniques • Investment appraisal techniques: payback, ARR & NPV as SC techniques • Link with other aspects of strategic management – SWOT and PEST, Porters 5 forces, Boston Matrix, Core competencies, vision and mission statements, as strategic analysis techniques when **preparing** for choice (Note: not rewardable as SC techniques) **Application** • Option A is potentially market development but accept market penetration • Option B product development/diversification • Use of the techniques/factors for two options • Comparison of options using the techniques. For instance comparison of likely risks/returns – Probability of success for B is lower – EMV for B is higher – Understanding of driving forces **Analysis** • How techniques may be used and the advantages and disadvantages • Decision trees – estimation of probability difficult. Use of probability aims to take account of uncertainty resulting in better decision making • Ansoff's Matrix – focus on risk of different strategic options • Force field analysis – subjective. Encourages consideration of a range of factors Managers may manipulate to favour one option • Investment appraisal. – NPV allows time value of money to be taken into account so business can see if project covers costs and makes a return – Payback important to businesses that face cash flow problems – ARR. Key metric for judging business success is profitability **Evaluation** • Limitations of techniques, e.g. role of estimation • Very dynamic nature of this market. Link to probabilities could be made and their likely accuracy • Other information that could be useful? Qualitative information needed • Impact of management objectives and attitudes • Long and short term impacts	**20**

Question	Answer	Marks
7	**Evaluate the importance of contingency planning for CSP.** **Knowledge** • What is contingency planning? • How CP as part of strategic implementation fits with strategic choice and analysis **Application** • Contingency planning for CSP as above – allow broad interpretations, including problems caused by related products such as lamps and phone chargers • How might these risks be assessed? • Comment on recent changes such as government policy and market changes • Comment on risks such as fire due to faulty installation – more of a risk as company grows? • The fast developing market and associated risks **Analysis** • How contingency planning may be used and advantages and disadvantages • Predictable versus unpredictable risks • Associated financial implications • Development and impact of APP points **Evaluation** • Will there need to be a significant change? Have risks been assessed over the years? • What are the main factors that could lead to successful CP? • Other factors such as external factors that need to be considered	**20**