CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/42**

Paper 4 Business Strategy **October/November 2024**

MARK SCHEME

Maximum Mark: 40

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 2024 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptions for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

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GENERIC MARKING PRINCIPLE 5: Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).
GENERIC MARKING PRINCIPLE 6: Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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Social Science-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

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).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Assessment objectives

AO1 Knowledge and understanding
Demonstrate knowledge and understanding of business concepts, terms and theories.

AO2 Application
Apply knowledge and understanding of business concepts, terms and theories to problems and issues in a variety of familiar and unfamiliar business situations and contexts.

AO3 Analysis
Analyse business problems, issues and situations by:
- using appropriate methods and techniques to make sense of qualitative and quantitative business information
- searching for causes, impact and consequences
- distinguishing between factual evidence and opinion or value judgement
- drawing valid inferences and making valid generalisations.

AO4 Evaluation
Evaluate evidence in order to make reasoned judgements, present substantiated conclusions and, where appropriate, make recommendations for action and implementation.

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Paper 4 annotations for RM Assessor

To award	Annotation	Comment
Correct		For objective points that are right or wrong.
Incorrect		For objective points that are wrong.
Too Vague	TV	When the candidate has attempted something, but the mark/skill has not been awarded.
Highlight	Highlighter	To highlight a point or section of an answer that justifies the mark/annotation.
Benefit of doubt	BOD	When the candidate has attempted something, and the mark/skill has been awarded.
On page comment	On page comment	Rarely used in live marking. Very useful for practice scripts. To communicate with the supervisor.
Seen	SEEN	To show a page/section has been seen/read.
Not answering question	NAQ	When the response is not focussed on answering the question.
Repetition	REP	The repetition of a previous point in a response Or Candidate is copying the case study/data.
Own figure rule	OFR	The own figure rule applies – acts as a mark/tick.
Knowledge (AO1) L1	K	When limited knowledge (AO1) has been awarded.

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To award	Annotation	Comment
Developed knowledge (AO1) L2	DEV	When developed knowledge (AO1) has been awarded.
Application (AO2) L1	APP	When AO2 has been awarded. Number of APPs should match the mark awarded.
Application (AO2) L2		
Analysis (AO3) L1	A1	When AO3 at Level 1 has been awarded.
Analysis (AO3) L2	A2	When AO3 at Level 2 has been awarded.
Analysis (AO3) L3	A3	When AO3 at Level 3 has been awarded.
Evaluation (AO4) L1	N1	When AO4 at Level 1 has been awarded.
Evaluation (AO4) L2	N2	When AO4 at Level 2 has been awarded.
Evaluation (AO4) L3	N3	When AO4 at Level 3 has been awarded.

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Please refer to this grid for BOTH questions.

Level	AO1 Knowledge and understanding 3 marks	AO2 Application 2 marks	AO3 Analysis 8 marks	AO4 Evaluation 7 marks
	Description	**Description**	**Description**	**Description**
3			**7–8 marks** **Developed analysis of the overall strategy** that identifies connections between causes, impacts and/or consequences.	**6–7 marks** **Effective evaluation** A developed judgement/conclusion is made in the business context that draws together developed evaluative comments which balance some key arguments in the business context.
2	**2–3 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.	**4–6 marks** **Developed analysis of individual strategic element(s)** that identifies connections between causes, impacts and/or consequences.	**3–5 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.	**1–3 marks** **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.

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Question	Answer	Marks
1	**Evaluate the success of Idir's strategy for improving employee performance between 2020 and 2024.** **Indicative content** **AO1 Knowledge and understanding** Knowledge K (max 1 mark) can be awarded for any relevant business knowledge about employee performance and improving employee performance, including: • The purpose and roles of HRM • Workforce planning • Recruitment and selection • Redundancy and dismissal • Morale and welfare • Training and development • Management and workforce relations • Motivation • Management • Organisational structure • Delegation and accountability • Control, authority and trust • Centralisation and decentralisation • Business communication • Leadership • HRM strategy, including: Hard and soft HRM Flexible working contracts Management by objectives (MBO) Role of IT and AI in HRM Award DEV for any explanation of relevant business knowledge, up to a max of 2 marks.	**20**

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Question	Answer	Marks
1		

Motivation is the desire to do something K	Some basic knowledge about motivation, so only K.
Motivation is the desire to do something K, for example a person can be motivated to work harder by financial incentives DEV.	1 K for identification and 1 DEV for a point of explanation
Motivation is the desire to do something K, for example a person can be motivated to work harder by financial incentives DEV. A worker can also be motivated by non-financial incentives, like belonging DEV.	1 K for identification and 2 DEVs for two points of explanation

AO2 Application

Application APP (max 2 marks) can be awarded for **applying knowledge, analysis or evaluation of employee performance,** to PI between 2020 and 2024.
Idir's strategy between 2020 and 2024, including:

- Idir becomes HR manager – dismissing the previous manager.
- Idir commissions an independent business analyst who reports:
  Low labour turnover (2% compared with 15%)
  High absenteeism (12% compared with 5%)
  High lateness (27% compared with 10%)
  High EQ score (120 compared with 80)
  Low trade union membership (4% compared with 25%).
- 2021 organisational structure (Appendix 2).
- 2021 recommendations to the Board (Appendix 3).
  Delayer the organisation structure by combining the car and home insurance sections of the business, making the car and home insurance managers redundant.
  Reduce the number of functional managers and employees through involuntary redundancy.
  Decentralise decision-making to the remaining functional managers.
  Introduce financial penalties for lateness and financial incentives for 100% attendance.

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Question	Answer	Marks
1	Increase use of information technology (IT), especially in sales. • Five day off-the-job training course to encourage intrapreneurship. • In 2022, 60% trade union membership. • Paperless office policy in 2023 and smartphone issued to all employees. • 2024 interview in trade magazine: Idir believes in hard HRM. Increasing labour turnover. Cost of sales is low. Highest gross profit margin in industry. Doubled sales since 2020. Half number of employees. Almost no lateness or absenteeism. **AO3 Analysis** Analysis is likely to be based on how improving employee performance may have affected PI's decision making (A1 and A2 and A3) between 2019 and 2024. Analysis is likely to be based on how Idir's strategy may have affected employee performance 2020 and 2024, including: • Dismissed HR manager which may have lost expertise and experience of the employees at PI – leading to a worsening of employer-employee relations and industrial action. • Idir may not have the qualifications and expertise to manage HR as well as his duties as MD, leading to poor HRM – may increase labour turnover for PI – increase costs. • Delayering the organisation structure: Increased costs of redundancy – lower profit – loss of expertise – increased costs Car and home insurance may require different skills and abilities, meaning that employees are not being utilised in the most effective place – leading to increased costs – less profit. Use of involuntary redundancy – may lead to demotivated employees who do not work as fast – increased costs – reduced efficiency. Lack of supervision through the decision to reduce the number of functional managers – lower productivity. Decentralisation may put more pressure on Managers, despite some being made redundant – reduce efficiency –	

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Question	Answer	Marks
1	higher average costs. Penalties for lateness may cause employee dissatisfaction leading to increased employee turnover – increased recruitment/training costs. Financial incentives for 100% attendance may discourage absenteeism – increasing productivity – increased sales – increased profit. Use of IT may speed up sales process, increasing sales revenue – increasing profit – however may irritate customers, reducing sales – decreasing profit. • Idir's HR ideas are quickly adopted – may not be the best strategy, but Directors may feel pressured to agree, especially after redundancies – introduce strategies that may harm PI and lead to lower profit. • All PI managers sent on training to encourage intrapreneurship – increased problem solving leading to higher sales/lower costs/new product development – increased sales – higher profit. • Increased trade union membership may lead to more industrial action/collective bargaining increasing costs – reducing profit. • Paperless office introduced leading to lower costs – may also require training for all employees – increased costs. • All employees issued smartphone which increases PI's costs – may increase effective communication – more efficient. • Hard HRM leading to dissatisfied employees – higher labour turnover • Clear communication of instructions and supervision may lead to a more efficient workforce – lower costs. • Labour turnover has risen – increased costs – lower profit. • Cost of sales is low/high gross profit margin – increased profit for shareholders. • Sales increased with less employees leads to increased efficiency – higher profit. • Best training in industry may lead to increased applications – lower cost of recruitment – better applications/employees. **AO4 Evaluation** Evaluation (N1 and N2 and N3) including: Evaluation will largely depend on the points raised in the analysis. • A judgement over the impact of Idir's strategy on PI's employee performance between 2020 and 2024. • Discussion over the level of impact on the PI's employees and what that impact may depend upon; external influences, overall objective of PI, the feelings/attitudes of the employees and management of PI, how established the corporate culture is within PI, the level of animosity over the involuntary redundancies, etc. • The extent to which the decision making clashes with or works within the objectives of PI. • Other external influences on PI's decision making other than the corporate culture (e.g. the state of the economy;	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1</td><td>
economic growth) social factors (e.g. increasing remote working), technological factors (e.g. increased use of technological communication in 2020/2021 due to the pandemic).

Accept all valid responses.

Exemplars
<table>
<tr><th>No credit</th><th>L1 N1 including: (limited supporting evidence)</th><th>L2 N2 including: (developed supporting evidence)</th><th>L3 N3 (developed supporting evidence with context)</th></tr>
<tr><td>Idir’s strategy for improving employee performance between 2020 and 2024 was good.</td><td>Idir’s strategy for improving employee performance between 2020 and 2024 was good because he eliminated most of the absenteeism.</td><td>Idir’s strategy for improving employee performance between 2020 and 2024 was good because he eliminated most of the absenteeism which was much higher than the industry average and must have increased PI’s costs significantly.</td><td>Idir’s strategy for improving employee performance between 2020 and 2024 was good because he eliminated most of the lateness which was 7% higher than the industry average and must have increased PI’s costs significantly.</td></tr>
<tr><td>The success of Idir’s HR strategy depends on many factors.</td><td>The success of Idir’s HR strategy depends on whether the external influences in country D are likely to change.</td><td>The success of Idir’s HR strategy depends on whether the external influences in country D are likely to change. For example, if the unemployment rate in country D increases, he may find hard HRM makes recruitment difficult, if no-one wants to work at PI.</td><td>The success of Idir’s HR strategy depends on whether the external influences in country D are likely to change. For example, if the unemployment rate in country D increases, he may find hard HRM makes recruitment difficult, especially in the Pet market which is dominated by two large competitors who may have better HRM.</td></tr>
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Question	Answer	Marks
2	**Advise Idir on what accounting data he should use to help him develop a new business strategy for PI to sell pet insurance.** **Indicative content** **AO1 Knowledge and understanding** Knowledge K (max 1 mark) can be awarded for any relevant business knowledge accounting data, including: • Business finance • Sources of finance • Forecasting and managing cashflows • Costs, including break-even analysis • Budgets and budgeting • Statement of profit or loss; revenue, cost of sales, gross profit, expenses, profit from operations (operating profit), taxation, profit for the year, dividends, retained earnings. • Statement of financial position; non-current assets, current assets, current liabilities, net current assets, net assets, non-current liabilities, reserves and equity. • Inventory valuation; net realisable value method. • Depreciation; straight line method only. • Liquidity ratios; current ratio, acid test ratio. • Profitability ratios; ROCE, gross profit margin, profit margin. • Gearing ratio. • Investment ratio; dividend yield, dividend cover, PE ratio. • Investment appraisal; payback, ARR, NPV. Award DEV for any explanation of accounting data, up to a max of 2 marks.	**20**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>

<table>
<tr><td>Profitability ratios K</td><td>K for identifying any accounting data.</td></tr>
<tr><td>Profitability ratios K. Such as the ROCE DEV.</td><td>1 K for identification and 1 DEV for a point of explanation</td></tr>
<tr><td>Profitability ratios K. Such as the ROCE DEV, which shows the relationship between sales revenue and the capital invested in the business DEV.</td><td>1 K for identification and 2 DEVs for two points of explanation</td></tr>
</table>

AO2 Application

Application APP (max 2 marks) can be awarded for **applying knowledge of accounting data,** to PI, including:

- Target pet owners to sell pet insurance – similar product to PI's current portfolio (car and home insurance).
- Market for pet insurance in country D is growing rapidly and set to reach $5bn by 2026.
- Very competitive market.
- Market requires significant investment.
- PI is a private limited company.
- PI is a family owned business.
- Idir believes that PI could gain many economies of scale by selling to the pet insurance market.
- Likely to be a? on the Boston Matrix (high growth market with low market share).
- Likely to be market penetration on Ansoff's matrix (existing product – insurance to a new market).

AO3 Analysis

Analysis is likely to be based on the accounting data Idir should use to develop a strategy to target the pet insurance market in country D (A1 and A2 and A3), including:

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Question	Answer	Marks
2	Arguments of the accounting data Idir should use to develop a strategy to target the pet insurance market in country D, including: • Statement of profit or loss; To calculate/show to future investors – gain finance to invest in this new market – greater chance of success. To show the effects on dividends/ retained earnings in the short run (likely to decrease) and long run (likely to increase). To calculate/show likely effects of economies of scale on the cost of goods sold and/or expenses – savings based on this expansion. To understand working capital implications of the expansion – to make decisions on how much to allocate to cost of sales, marketing etc. • Statement of financial position; non-current assets, current assets, current liabilities, net current assets, net assets, non-current liabilities, reserves and equity. To calculate/show effects of expansion on the net worth of PI. To understand the liquidity of PI in case of having to finance the expansion internally. To plan the strategy in the short run (current assets/liabilities) and the long run (non-current assets/liabilities/equity). To understand the efficiency/performance of the business • Inventory valuation; net realisable value method. Unlikely to be a major factor as PI sells a service and any inventory would not be perishable ro incur significant costs. • Depreciation; straight line method only. PI's recent move to increase online sales (which it can be assumed will continue to be the case with pet insurance) makes technology important in planning a strategy for the expansion into pet insurance. The current hardware may be obsolete and require replacement in the near future, especially with increased reliance on it. Also speed of hardware development might reduce the lifetime of PI's computers making it important to understand the value of the assets. • Liquidity ratios; current ratio, acid test ratio. To finance the strategy, especially the short run cash requirements. • Profitability ratios; ROCE, gross profit margin, profit margin. Likely to be important to convince the owners/board of the profitability of the strategy. However, as PI is a family business this may be less important. May only need to convince Kwami (as he owns 50% of the shares and together with Idir's 10% this gives a majority shareholding). • Gearing ratio. To finance the strategy, especially the long run capital requirements.	

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Question	Answer	Marks
2	• Investment ratio; dividend yield, dividend cover, PE ratio. May be important to convince the owners – however as a family-owned business this be less important. • Investment appraisal; payback, ARR, NPV. Unlikely to be important, unless there is a need to purchase capital equipment. **AO4 Evaluation** Evaluation (N1 and N2 and N3) including: Evaluation will largely depend on the points raised in the analysis. • A judgement over which accounting data is likely to be most useful to Idir when developing a business strategy to sell pet insurance in country D. • What the judgement may depend upon; further data about the market in country D for pet insurance, external influences, such as the economy, legal issues, fashions/trends, demographic changes, ethical influences, environmental influences, political influences, technological influences, the strength of the link between the current product portfolio and this new product etc. • Weighing up of the relevant pieces of accounting data and their use in developing a new strategy. • Weighing up of the relevant arguments for the use of other data instead of (or in tandem with) accounting data.	

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2</td><td>Accept all valid responses.
<table>
<tr><th>No credit</th><th>L1 N1 including: (limited supporting evidence)</th><th>L2 N2 including: (developed supporting evidence)</th><th>L3 N3 (developed supporting evidence with context)</th></tr>
<tr><td>Idir should use profitability ratios.</td><td>Idir should use profitability ratios because this is the most important accounting data.</td><td>Idir should use profitability ratios because this is the most important accounting data to reach the objectives of the business, which is likely to be profit maximisation.</td><td>Idir should use profitability ratios because this is the most important accounting data to reach the objectives of the business, which is to increase shareholder returns in the future.</td></tr>
<tr><td>Which data Idir should use depends on the market.</td><td>Which data Idir should use depends on the market. If the market is dynamic, then accounting data may be useless.</td><td>Which data Idir should use depends on the market. If the market is dynamic, then using accounting data that is based on historical figures may be useless.</td><td>Which data Idir should use depends on the market. Since PI is new to this market and it is dominated by two large competitors, then using accounting data that is based on historical figures may be useless.</td></tr>
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