

Cambridge International AS & A Level

BUSINESS

9609/32

Paper 3 Business Decision-Making

March 2023

MARK SCHEME

Maximum Mark: 60

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.

Subject Specific Marking Principles for point-based marking

1. 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:

- 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.
- DO credit alternative answers/examples which are not in the mark scheme if they are correct.
- DO credit answers where candidates give more than one correct answer where extended writing is required rather than short/list-type answers.
- DO NOT credit answers simply for using a key term unless that is all that is required. (Check for evidence it is clearly understood and used correctly.)
- DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities. For questions that require n reasons, e.g. State two reasons..., mark only the first two answers given, not any two that are correct out of a longer list.
- DO NOT give further credit for what is effectively repetition of a correct point already credited or to 'mirror' statements. For example, a response that includes: 'A business owner would benefit from limited liability as it would protect their personal possessions.' and 'If a business owner did not have limited liability they could lose everything.', cannot both be rewarded in answer to one question.
- DO NOT require spellings to be correct, it is not part of the test. However, spellings of business terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused, e.g. offshore/outsource or effective/efficient.

1. Presentation of mark scheme:

- Questions are in bold text.
- Possible responses are in normal text in a bulleted list.
- Marks are rewarded based on the table provided for each question.
- Possible responses are listed under the appropriate Assessment Objective.
- Slashes (/) separate alternative ways of making the same point.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark.

2. Annotation:

- Every response must have a minimum of one annotation.
- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers.
- For questions where only AO1 and AO2 are rewarded, there is a direct relationship between ticks and marks.
- For levels of response marking, the first time level 1 is achieved, L1 is annotated on the response. If/when level 2 is achieved, L2 should be used, etc.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who mark that paper.

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.
- L1, L2 etc. 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 how two legal changes planned by the new government will impact FWB.			8
Level	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 4 marks	
2			3–4 marks Developed analysis <ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • Application of two relevant points to a business context. • Application of one relevant point to a business context. 	1–2 marks Limited analysis <ul style="list-style-type: none"> • 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:				
<ul style="list-style-type: none"> • If more than two changes are referred to, reward the best two. 				
Indicative content				
Responses may include:				
AO1 Knowledge and understanding				
The legal environment acts as both a constraint and an enabler for GR's activities.				
Legal environment is the set of rules set by government that regulates business activity.				
Legal constraints on GR include:				
<ul style="list-style-type: none"> • Minimum wage 				

Question	Answer	Marks
	<ul style="list-style-type: none"> • Unfair dismissal • Health and safety legislation • Consumer rights legislation • Employment rights • Controls on marketing • Tax rates <p>As an enabler for FWB's activities</p> <ul style="list-style-type: none"> • Some of above also provide protection to FWB • Protection of property rights • Competition law <p>AO2 Application</p> <ul style="list-style-type: none"> • Minimum wage paid to employees • Need to provide health and safety training to new employees • Need to provide food hygiene training • Government plans regarding plastic waste • Zero hours contracts used by FWB. • Government plans regarding workers' rights and increasing income of low paid <p>AO3 Analysis</p> <ul style="list-style-type: none"> • Can reduce profit by increasing costs e.g. minimum wage increases labour costs in the industry • Can constrain the decision making of managers e.g. ending zero hours employment contracts. This can make it more difficult to remove unproductive employees thus reducing the efficiency of FWB • Reducing plastic waste may mean an increase in costs as FWB need to change product that drinks are served in • Controls on CO emissions may increase costs as FWB relies on using vans • Training will increase costs of FWB and reduce profit. • Training can improve the quality of employees and make FWB more efficient. Improves service and avoids complaints from customers • Competition law can prevent unfair practices from other firms thus protecting FWB's profits. <p>Accept all valid responses.</p>	

Question	Answer			Marks
2	Analyse two benefits to FWB of delegating more decision-making to van managers.			8
	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 4 marks	
2			3–4 marks Developed analysis <ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • Application of two relevant points to a business context. • Application of one relevant point to a business context. 	1–2 marks Limited analysis <ul style="list-style-type: none"> • 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.	
<p>Note:</p> <ul style="list-style-type: none"> • Only reward benefits to FWB. • If more than two benefits are referred to, reward the best two. <p>Indicative content</p> <p>Responses may include:</p> <p>AO1 Knowledge and understanding</p> <ul style="list-style-type: none"> • Delegation is passing down of authority to perform tasks/take decisions • Centralisation is where decisions are made at the centre of the organisation • Delegation can improve motivation of the managers <p>AO2 Application</p>				

Question	Answer	Marks
	<ul style="list-style-type: none"> • Good managers have been lost by FWB. • Distinct demographic and cultural differences in regions. • Different economic conditions in regions. • Managers have no decision-making power over marketing. <p>AO3 Analysis</p> <ul style="list-style-type: none"> • Delegation may motivate employees and result in an increase in productivity or work effort and potentially output. • Motivated employees may provide improved customer service which will increase sales • Decision making at a local level may make FWB more responsive to local needs thus increasing customer satisfaction and increasing sales • Fulfilling manager demands will help retain managers and reduce costs. Replacing experienced managers who leave due to dissatisfaction may be difficult <p>Accept all valid responses.</p>	
3(a)	<p>Assume FWB increases spending on promotion by 20% and the promotional elasticity of demand is 0.8. Calculate the percentage change in FWB’s revenue.</p> <p>Indicative content</p> <p>0.8 X 20 = 16% (1)</p> <p>Accept all valid responses.</p>	1
3(b)	<p>Refer to lines 30-32. Calculate the estimated price elasticity of demand if FWB increases the price of coffee from \$2.00 to \$2.30.</p> <p>Indicative content</p> <p>Responses may include: PED = Percentage change in Qd / Percentage change in price (1 mark if no relevant calculation) Percentage change in Qd = $-10 / 180 \times 100 = (-)5.56\%$ (1) Percentage change in price = $0.3 / 2.00 \times 100 = 15\%$ (1)</p>	3

Question	Answer				Marks
	PED = $(-5.56 / 15 = (-)0.37$ OR $(-)0.4$ (3) OFR Accept all valid responses.				
3(c)	Evaluate the usefulness of the concept of elasticity of demand to FWB when deciding on a new marketing mix.				12
	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 <ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • 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.	
<p>Indicative content</p> <p>Responses may include:</p> <p>AO1 Knowledge and understanding</p>					

Question	Answer	Marks
	<ul style="list-style-type: none"> • Marketing strategy is the use of integrated marketing mix to achieve marketing objectives within a budget. • Elasticity as part of marketing plan – detailed report on a business’s marketing strategy – situational analysis, market research, objective, budget, mix • Estimating elasticity aids making decisions about pricing and promotion • Understanding of different elasticity concepts: promotional elasticity; price elasticity; cross price elasticity and income elasticity • Understanding of inelastic; not responsive and elastic; responsive to change in price / promotion / income <p>AO2 Application</p> <ul style="list-style-type: none"> • Estimated PED is -0.37. This is price inelastic. 15% increase in price will result in 5.6% decrease in Qd • Daily revenue from coffee sales per van would change from \$360 (180 X 2) to \$391 (170 X 2.3). An increase of 8.6%. • Estimated promotional elasticity of demand is 0.8. Demand is promotion inelastic i.e. not responsive. • 20% increase in spending (an extra \$40 000) would in theory result in increase in revenue of 16% (0.16 X 40.5m = \$6.48m) • Objective to increase revenue by 15% <p>AO2 Analysis</p> <ul style="list-style-type: none"> • Knowledge of PED is useful to FWB making decisions about pricing. For example, low PED would indicate that an increase in price would increase revenue. • In marketing plan, FWB will also consider other factors e.g. changing snacks, improvements to quality of food. These changes to the marketing mix can increase sales and impact profit. • Increasing price may reduce quantity demanded and also impact sales of other products as coffee is a complement to snacks. • Increase in price of coffee may result in customers purchasing substitute drinks from FWB or choosing to purchase drinks elsewhere. <p>AO3 Evaluation</p> <ul style="list-style-type: none"> • Measurement of elasticity is difficult and likely to be inaccurate due to large range of factors that will affect outcomes, particularly competitor decisions. Other things don’t remain equal in markets. • Most important factor in marketing decisions could be identified and explained. • Other elements of marketing plan are important e.g. integrated marketing mix to ensure consistency in message communicated to potential customers and therefore attract sales. • Competitive rivalry will be an important factor. <p>Accept all valid responses.</p>	

Question	Answer	Marks
4(a)	<p>Refer to lines 47-49 and Table 1.1. Calculate the accounting rate of return (ARR).</p> <p>Indicative content</p> <p>Responses may include: ARR = Average profit / Average investment X 100 (1 mark if no relevant calculation)</p> <p>Profit = 900 000 – 650 000 = 250 000 (1)</p> <p>Average profit = 250 000 / 5 = 50 000 (2)</p> <p>Average investment = (650 000 + 0) / 2 = 375 000 (1)</p> <p>Note from Vetter: I'm not sure why the 650 000 has been divided by 2? My answer was 50000/650000 x 100 = 7.69%</p> <p>Note from PE: This is in line with methodology now used for ARR</p> <p>ARR = 50 000 / 375 000 X 100 = 13.33% OR 13.3% (4)</p> <p>Units (%) not necessary for full marks</p> <p>Accept all valid responses.</p>	4

Question	Answer				Marks
4(b)	Evaluate whether FWB should invest in enterprise resource planning (ERP).				12
	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 <ul style="list-style-type: none"> • A developed judgement/conclusion is made in the business context. • Developed evaluative comments which balance some key arguments in the business context. 	
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<p>Indicative content</p> <p>Responses may include:</p> <p>AO1 Knowledge and understanding</p> <p>Definition of ERP: the use of a computer application to plan the purchase and use of resources in an organisation to improve efficiency. Part of supply chain management.</p> <ul style="list-style-type: none"> • Benefits of ERP <ul style="list-style-type: none"> ○ Helps with inventory control 					

Question	Answer	Marks
	<ul style="list-style-type: none"> ○ Reduces costs of operations ○ Links information between departments ○ Choosing best suppliers and most cost-effective suppliers and supporting JIT manufacturing ○ Allocating jobs to appropriate production employees ● Other factors in decision <ul style="list-style-type: none"> ○ Cost ○ Availability of finance ○ Impact on employees ○ ARR and Payback results <p>AO2 Application</p> <ul style="list-style-type: none"> ● Payback of 3 years and 9 months – within 5 years before replacement ● Return of \$250 000 over 5-year period ● ARR of 13.33% above ROCE for the business (4.2%) ● Coordination of multiple suppliers ● Reducing waste of discarded food and coffee beans ● Profit of \$2.1465m last year (40.5m X 5.3%) <p>AO2 Analysis</p> <ul style="list-style-type: none"> ● ERP is costly and relatively high gearing of FWB increases risk of further borrowing. This may result in cash flow problems for FWB if increased savings take time to be realised. ● Employee training to deal with computer systems will be a cost (but should be included in the net cost savings data). ● ERP provides more effective sharing of information between departments which can lead to a more integrated approach to achieving FWB's objectives. ● Introducing ERP may cause disruption to operations in the short-term reducing output whilst it is installed. <p>AO3 Evaluation</p> <ul style="list-style-type: none"> ● Elements that the evaluation/judgement might depend on: <ul style="list-style-type: none"> ○ Cost savings are estimates made by the ERP specialist. Can these figures be trusted as specialist will wish to sell to FWB? ○ If ERP used to reduce inventory holding costs, then success depends in part on the reliability of suppliers of coffee beans etc to deliver on time. ● Other factors to consider e.g. 	

Question	Answer				Marks																									
	<ul style="list-style-type: none"> ○ NPV or IRR as this considers time value of money. ○ Depends on availability of finance linked to relatively high gearing and interest rate. ○ How long will it take to implement the ERP system? ○ Will specialist IT employees be required and how expensive is that? <p>Accept all valid responses.</p>																													
5	<p>Evaluate the usefulness of FWB’s accounting ratio analysis to its directors when making business decisions.</p> <table border="1" data-bbox="349 507 1883 1294"> <thead> <tr> <th data-bbox="349 507 450 600">Level</th> <th data-bbox="454 507 748 600">AO1 Knowledge and understanding 2 marks</th> <th data-bbox="752 507 1046 600">AO2 Application 2 marks</th> <th data-bbox="1050 507 1344 600">AO3 Analysis 2 marks</th> <th data-bbox="1348 507 1883 600">AO4 Evaluation 6 marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="349 603 450 820">3</td> <td data-bbox="454 603 748 820"></td> <td data-bbox="752 603 1046 820"></td> <td data-bbox="1050 603 1344 820"></td> <td data-bbox="1348 603 1883 820"> 5–6 marks Developed evaluation in context <ul style="list-style-type: none"> • 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 data-bbox="349 823 450 1010">2</td> <td data-bbox="454 823 748 1010"> 2 marks Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question. </td> <td data-bbox="752 823 1046 1010"> 2 marks Developed application of relevant point(s) to the business context. </td> <td data-bbox="1050 823 1344 1010"> 2 marks Developed analysis that identifies connections between causes, impacts and/or consequences. </td> <td data-bbox="1348 823 1883 1010"> 3–4 marks Developed evaluation <ul style="list-style-type: none"> • A developed judgement/conclusion is made. • Developed evaluative comments which balance some key arguments. </td> </tr> <tr> <td data-bbox="349 1013 450 1200">1</td> <td data-bbox="454 1013 748 1200"> 1 mark Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question. </td> <td data-bbox="752 1013 1046 1200"> 1 mark Limited application of relevant point(s) to the business context. </td> <td data-bbox="1050 1013 1344 1200"> 1 mark Limited analysis that identifies connections between causes, impacts and/or consequences. </td> <td data-bbox="1348 1013 1883 1200"> 1–2 marks Limited evaluation <ul style="list-style-type: none"> • A judgement/conclusion is made with limited supporting comment/evidence. • An attempt is made to balance the arguments. </td> </tr> <tr> <td data-bbox="349 1203 450 1294">0</td> <td data-bbox="454 1203 748 1294"> 0 marks No creditable response. </td> <td data-bbox="752 1203 1046 1294"> 0 marks No creditable response. </td> <td data-bbox="1050 1203 1344 1294"> 0 marks No creditable response. </td> <td data-bbox="1348 1203 1883 1294"> 0 marks No creditable response. </td> </tr> </tbody> </table> <p>Indicative content</p> <p>Responses may include:</p>				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 <ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • 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.	12
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Question	Answer	Marks
	<p>AO1 Knowledge and understanding</p> <ul style="list-style-type: none"> • Ratios used to assess business performance / efficiency /liquidity / shareholder • Help with decisions regarding budgets/shareholder dividends/ borrowing • Knowledge of what different accounting ratios show • Gearing – dependence on debt finance • Inventory turnover – measure of financial efficiency. Higher the number the more efficient the business • Liquidity ratios – ability to meet short term debt • Profitability ratios – ability to generate profit from sales/assets <p>AO2 Application</p> <ul style="list-style-type: none"> • Need for finance for investment in ERP will impact gearing • Gearing is not high though it is close to 50%. FWB is not highly geared. • Appropriate interpretation of ratios in Table 2 <ul style="list-style-type: none"> ○ current ratio shows FWB has sufficient short-term assets to cover short term debt ○ profit margin of 5.3%. \$5 profit for every \$100 of revenue. Suggests FWB made \$2.1465m profit last year ○ inventory turnover of 12 indicates that FWB holds inventory for 30.4 days ○ trade payables turnover in days of 34.2 good for cashflow as likely to be much higher than trade receivables. <p>AO2 Analysis</p> <ul style="list-style-type: none"> • Gearing helps make decisions about finance. High gearing indicates increased level of risk in terms of being unable to service the debt so whether or not to borrow money and how much to borrow • Gearing will impact decisions about how to finance investment, such as in ERP, and be used to support application for finance as FWB has low gearing so managers may consider further borrowing • Liquidity ratios help make decisions regarding working capital requirements • Profitability ratios can highlight where managers need to take action; for example, to control costs • Quantitative nature of ratio analysis will make decisions more scientific and add validity to decisions made • Ratio analysis may not be useful as there may be disagreement about interpretation of ratios / competition for resources/ bias in departmental perspective / window dressing <p>AO3 Evaluation</p> <ul style="list-style-type: none"> • One ratio by itself is not very useful. Need to be able to see trends. • Inter-firm comparisons may be necessary to make judgements about performance of FWB 	

Question	Answer	Marks
	<ul style="list-style-type: none">• Only a quantitative technique. Managers increasingly consider qualitative factors when making decisions• Ratios alone do not necessarily indicate the true cause of business problems.• Decisions also depend on other factors e.g. external environment – forecast increase interest rates will impact decision to increase borrowing• Too much emphasis may be placed on ratios at expense of more qualitative factors <p>Accept all valid responses.</p>	