CAMBRIDGE
International Education

Cambridge IGCSE™

BUSINESS **0264/02**

Paper 2 Case Study **For examination from 2027**

MARK SCHEME

Maximum Mark: 80

Specimen

This document has **18** pages. Any blank pages are indicated.

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Generic Marking Principles

All examiners must apply these general marking principles when marking candidate responses. Examiners must apply them alongside the specific content of the mark scheme or generic level descriptions for a question. Each question paper and mark scheme must 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 descriptions for the question
- the specific skills defined in the mark scheme or in the generic level descriptions 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 descriptions.

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 descriptions in mind.

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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.

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Abbreviations

The following abbreviations may be used in the mark scheme.

Abbreviations	Use
app = Application	Indicates appropriate reference to the information in the stem.
Accept all valid responses	This statement indicates that marks may be awarded for answers that are not listed in the mark scheme but are equally valid.

Assessment objectives

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

AO2 Application
- Apply knowledge and understanding of business concepts, terms and theories to a given business.

AO3 Analysis
- Select, organise and interpret business data and information in written, numerical and graphical forms.
- Analyse business information.

AO4 Evaluation
- Make justified decisions, reach conclusions and make recommendations based on evidence.

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Question	Answer	Marks
1(a)	**Explain <u>two</u> advantages and <u>two</u> disadvantages of TT being a private limited company.** Award 1 mark for each advantage/disadvantage (max. 2 for advantages/ max. 2 for disadvantages). Award a maximum of 1 additional mark for **each** explanation of the advantage/disadvantage of TT being a private limited company which **must be applied to the context of the question**. Relevant advantages might include: • raise capital from the sale of shares – $500 000 capital may be able to be raised for the expansion • limited liability – means only the owners' capital invested in the cafe can be lost, not their personal possessions • separate legal identity – if TT is sued because a customer gets ill after eating an ice cream only TT will be liable not the owners • continuity – in the event of Frances leaving TT, the business will still be able to trade for more than the 10 years it has been in existence. Relevant disadvantages might include: • can only sell shares to family and friends – TT may need to take out a loan when opening the new cafe employing 10 people • legal formalities – requires certain documents to be sent to the government each year to show how much profit has been made by the 50 cafes • financial statements are available for anyone to see – other cafes that sell luxury desserts will be able to access TT's financial statements • not easy to transfer shares – people who care about the environment may decide not to buy shares in TT, as they will not be able to easily get their investment back • dividends may be expected to be paid out of profit. Accept all valid responses. For example: TT can only sell shares to family and friends (1) which may result in TT having to take out a loan when opening the new cafe (app). **Application** could include: ice cream; desserts; luxury products; cafe; $500 000; 10 employees; 50 cafes; set up 10 years ago; excellent customer service; fixed costs of $1000 each week; weekly total variable costs of $20 000; brand image of caring for the environment; how to make different desserts; 5000 desserts made and sold each week.	**8**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>
Consider the following <u>three</u> methods of market research TT could use when deciding which products to sell in the new cafe. Which method should TT use? Justify your answer.

• Competitors' websites
• Focus groups
• Observation in other cafes

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Excellent knowledge and understanding of relevant business concepts using appropriate terminology in context.

Detailed discussion of two or more methods.

Well-justified recommendation.

Candidates discussing all three methods in detail, in context and with a well-justified recommendation including why the alternative methods were rejected should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Good knowledge and understanding of relevant business concepts using appropriate terminology in context.

Detailed discussion of at least one method.

Judgement with some justification / some evaluation of choice made.

Candidates discussing two or more methods in detail and in context should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited knowledge and understanding of relevant business concepts in context.

Limited ability to discuss the methods with little/no explanation.

Simple judgement with limited justification / limited evaluation of choice made.

Candidates outlining all three methods in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>
</td><td>12</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>Relevant points might include:

<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Competitors' websites</td><td>• Likely to contain a lot of information about the products sold by competitors and the prices they charge for desserts – TT may be able to sell lower priced products – to gain market share.
• Easy and quick to access – research can be gathered quickly and allows more time for Frances to carry out other tasks when managing the 50 cafes.
• Accessing this information is low cost – keeps marketing expenses low.</td><td>• The competitors may not have a cafe near to TT's new cafe – their customers' tastes may be different to TT's potential customers – may not be very useful when deciding which products to sell.
• May not be close competitors – type of ice creams sold may not be a luxury product.</td></tr>
<tr><td>Focus groups</td><td>• Provide detailed information about customers' preferences for ice creams – will gain a better idea of which products customers prefer – can adapt products to increase sales.
• Provide interaction between people in the focus group, which helps TT understand customer needs – helping TT to meet those specific needs – increasing demand.</td><td>• Expensive and time-consuming to set up – ensuring the group has people from the area for TT's new cafe – leading to high market research costs – especially if TT employs a specialist market research agency to carry out this research.
• Discussion can be biased if one person in the group dominates the conversation – may not get very accurate data – less useful in finding out what products customers may wish to buy in a dessert cafe.</td></tr>
</table>
</td><td></td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(b)</td><td>
<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Observation in other cafes</td><td>• Gathers information about customer preferences by secretly observing their behaviour in cafes – which may be more accurate than asking them which products they like – reducing wasted ingredients – which lowers costs.
• Can be used to check the type of products sold in other cafes – to help decide the range of cakes to sell to help them to be competitive – increasing market share.</td><td>• Can be very expensive and time-consuming – as may need to use trained researchers or the results will be less accurate.
• It is very difficult to understand the reasons behind the choices made by customers when buying desserts – making the information less useful to TT – could lead to wrong decision-making.</td></tr>
<tr><td>Recommendation</td><td colspan="2">• Competitors' websites are the best method to use as they are quicker and are a lower cost way to find out what their cafes are selling and what prices they charge for ice cream. This can help TT decide which products to sell in the new cafe and make the cafe more likely to be successful. It will be difficult to put together focus groups of people in the area of the location for the new cafe and observation will only help to identify current customer behaviour and may not represent what customers may like in the new area where the cafe is to be located.
• Focus groups are the best method to use because they will allow detailed opinions to be gathered about potential customers from the new location and will be more accurate when deciding which cakes will be most successful in the new cafe.
• Observation will be the best method to use because it is likely to be clearer which luxury desserts customers prefer whereas they may not always answer accurately when in a focus group.</td></tr>
</table>
</td><td></td></tr>
</table>

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Question	Answer	Marks
2(a)	**Explain <u>two</u> benefits of TT providing employment contracts for its employees.** Award 1 mark for each benefit (max. 2). Award a maximum of 3 additional marks for **each** explanation of the benefit of providing employment contracts – **one of which must be applied to the context of the question**. Relevant benefits might include: • removes any misunderstanding between employer and employee about the job – as it will contain details about the start date, hours worked and rate of pay – should be clear that they both understand the requirements of the particular job • it provides some security for TT – as the contract will state the length of notice that an employee will need to give before leaving the job – it is clear how long the employer has to fill the vacancy • if the employee does not meet the requirements as outlined in the contract the employer can dismiss them – the employer cannot be taken to court for unfair dismissal – the employer will not be fined • if the employer fails to provide any of the conditions listed in the contract, then the employee can seek compensation – such as if TT do not provide benefits or holiday entitlement as outlined in the contract – the employee has a legal right to these benefits and they can take TT to court. Accept all valid responses. For example: A contract of employment removes any misunderstanding between employer and employee about the job (1) as it will contain details about the start date, hours worked and rate of pay (1) so both the employer and the employee should be clear that they understand the requirements of the particular job (1) and should allow for a more productive working environment in the cafe (app). **Application** could include: ice cream; desserts; luxury products; cafe; 10 employees; 50 cafes; set up 10 years ago; excellent customer service; brand image of caring for the environment; reuse and recycle packaging; how to make different desserts; help to decide which ingredients to buy; 5000 desserts made and sold each week.	**8**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>
Consider the advantages and disadvantages of the following <u>two</u> methods TT could use to motivate its employees. Which method should TT use? Justify your answer.

• Employee of the month
• Job enrichment

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Excellent knowledge and understanding of relevant business concepts using appropriate terminology in context.

Detailed discussion of both methods.

Well-justified recommendation.

Candidates discussing both methods in detail, in context and with a well-justified recommendation including why the alternative method was rejected should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Good knowledge and understanding of relevant business concepts using appropriate terminology in context.

Detailed discussion of at least one method.

Judgement with some justification / some evaluation of choices made.

Candidates discussing at least one method in detail and in context should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited knowledge and understanding of relevant business concepts in context.

Limited ability to discuss the methods with little/no explanation.

Simple judgement with limited justification / limited evaluation of choices made.

Candidates outlining both methods in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>
</td><td>12</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(b)</td><td>Relevant points might include:

<table>
<tr><th></th><th>Advantages</th><th>Disadvantages</th></tr>
<tr><td>Employee of the month</td><td>• Low cost of rewarding employee of the month - compared to the benefits of improved customer service – leading to increased revenue.
• Employees in the cafes work hard to get noticed and be given employee of the month – improved customer service improves the reputation of TT – more word of mouth advertising for TT increasing sales.
• May increase employee loyalty to the business – less likely to leave.</td><td>• May make the other 9 employees jealous as they may feel they work just as hard and are not recognised – employees may feel demotivated – less productive serving customers in the cafe.
• The reward of $20 to the employee is possibly so small employees may not be interested – as can only be spent in the cafe – may not want desserts and ice cream.</td></tr>
<tr><td>Job enrichment</td><td>• Employees feel more valued – more productive by providing excellent customer service – improving the reputation and brand image.
• Helps TT identify candidates for other roles – may reduce recruitment costs.</td><td>• May require training to carry out additional tasks – increases expenses for TT’s cafes – increasing total costs.
• Employees may ask for increased wages – which increases labour costs.
• Some employees may not want to carry out additional tasks of making different desserts and may feel stressed – increasing absenteeism.</td></tr>
</table></td><td></td></tr>
</table>

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Question	Answer	Marks
2(b)	Recommendation: Justification might include: • Employee of the month should be used as it is a relatively low-cost method of rewarding employees and they may work harder to be noticed by giving excellent customer service when **serving desserts in the cafe** to win the award. Job enrichment should not be used as it is likely to lead to higher costs from the extra training and higher wages paid to all employees in the cafe not just the one employee receiving the award. • Job enrichment should be chosen as it increases the skills and responsibilities of employees in the **50 cafes** allowing them to create a wider range of desserts and have more satisfied customers.	

Question	Answer	Marks
3(a)(i)	**Calculate the average cost of each dessert.** Correct answer = $4.20 (2) Correct method but incorrect answer: Fixed costs + total variable costs / number of desserts made each week (1) $1000 + $20 000 / 5000 (1)	**2**
3(a)(ii)	**Calculate the variable cost of each dessert.** Correct answer = $4.00 (2) Correct method but incorrect answer: Total variable costs / number of desserts made each week (1) $20 000 / 5000 (1)	**2**
3(a)(iii)	**State <u>four</u> ways the cost data in 3(a)(i) or 3(a)(ii) might be used by a business.** Award 1 mark for **each** way the cost data might be used by a business (max. 4). Relevant ways might include: • to help decide which product to produce • to decide whether to continue or to stop production • to help decide what price to set • to help choose suppliers • to know how much each product costs to produce • helps to calculate break-even output • helps to calculate the contribution of each product to fixed costs. Accept all valid responses.	**4**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>
Use Appendix 2 and other information to consider TT’s financial position. Do you think TT’s financial position improved in 2025? Justify your answer using suitable calculations.
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Excellent knowledge and understanding of relevant business concepts using appropriate terminology in context.

Detailed discussion of TT’s financial position using suitable calculations.

Well-justified conclusion.

Candidates discussing in detail whether or not TT improved its financial position using suitable calculations, in context and with a well-justified conclusion should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Good knowledge and understanding of relevant business concepts using appropriate terminology in context.

Detailed discussion of TT’s financial position.

Judgement with some justification / some evaluation of choices made.

Candidates discussing in detail TT’s financial position using suitable calculations and in context should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited knowledge and understanding of relevant business concepts in context.

Limited ability to discuss TT’s financial position with little/ no explanation.

Simple judgement with limited justification / limited evaluation of choices made.

Candidates outlining TT’s financial position in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>
</td><td>12</td></tr>
</table>

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>Relevant points could include:

<table>
<tr><td>Examples of Level 1 responses</td><td>• Inventories held decreased by $2m in 2025.
• Trade receivables decreased from $3m to $1.5m.
• The amount of cash held increased by $0.5m from $2m to $2.5m.
• Amount of trade receivables decreased by $1.5m.
• The bank loan increased by $1m.
• TT had current assets of $15m in 2024.
• TT had current liabilities of $5m in 2024.
• Current assets decreased by $3m in 2025.
• Current liabilities increased to $8m in 2025.</td></tr>
<tr><td>Examples of Level 2 responses</td><td>• Trade receivables decreased by $1.5m – as fewer customers are given credit / fewer customers / existing customers are now paying in cash.
• The current ratio in 2025 was 1.5 / 1.5 : 1.
• A current ratio of 2 / 2 : 1 would be better, as the current ratio in 2025 indicates that TT may have had too few current assets in a liquid form.
• The current ratio calculated for 2025 seems to be sufficient to encourage banks to increase the loan if needed to pay for the new cafe.
• The acid test ratio in 2025 was 0.5 / 0.5 : 1.
• The acid test ratio was low as a ratio nearer to 1 / 1 : 1 would be better to ensure current liabilities can be paid.</td></tr>
<tr><td>Conclusion</td><td>• No, TT was not in a better financial position in 2025 as it had an overdraft of $5m leading to a lower acid test ratio which was very low and could have caused liquidity problems for TT. It had also increased its bank loan by $1m so increased interest payments will have resulted in higher expenses.
• Yes, TT had improved its financial position in 2025 as the current ratio was at 1.5 / 1.5 : 1 which was low but was unlikely to have caused a liquidity problem. Inventory levels had been reduced to $8m meaning less cash was tied up in this and in fact the amount of cash held had increased by $0.5m.</td></tr>
</table>
</td><td></td></tr>
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Question	Answer	Marks
4(a)	**Explain <u>one</u> advantage and <u>one</u> disadvantage of TT using environmentally friendly packaging for its products.** Award 1 mark for each advantage/disadvantage (max. 2). Award a maximum of 3 additional marks for **each** explanation of the advantage/disadvantage of TT using environmentally friendly packaging – **one of which must be applied to the context of the question**. Relevant advantages might include: • if the packaging is reused rather than buying new – decrease in costs of buying new packaging –– this may lead to a higher profit if revenue remains the same • if the packaging is recycled – improved reputation for TT – and consumers that are environmentally aware will be attracted to TT – leading to increased sales/revenue • fewer resources used – which can be used by future generations. Relevant disadvantages might include: • increase in initial cost of buying the environmentally friendly packaging – may lead to higher prices needing to be charged to cover these increased costs – may lead to lower sales • increase in costs of cleaning the packaging ready to be reused/recycled – increased variable costs – lowering gross profit margin • may make the product look less attractive if in recycled/reused packaging rather than new packaging – may lead to reduced sales – possibly reducing profit if costs remain the same. Accept all valid responses. For example: This will lead to a decrease in the costs of buying new packaging (1) if the packaging is reused (app) which may increase the gross profit margin (1). This could lead to a higher profit (1). **Application** could include: ice cream; desserts; reuse packaging; recycle packaging; luxury products; cafe; 10 employees; 50 cafes; excellent customer service; weekly total variable costs of $20 000; brand image of caring for the environment; how to make different desserts; cakes; 5000 desserts made and sold each week.	**8**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>
Use Appendix 3 and other information to consider how each of the following <u>three</u> changes might affect TT. Which change is likely to have the greatest effect on TT? Justify your answer.

• A decrease in tax on people's income
• An increase in tax on business profits
• A decrease in interest rates

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>Excellent knowledge and understanding of relevant business concepts using appropriate terminology in context.

Detailed discussion of two or more changes.

Well-justified conclusion.

Candidates discussing all three changes in detail, in context and with a well-justified conclusion including why the alternative changes were rejected should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Good knowledge and understanding of relevant business concepts using appropriate terminology in context.

Detailed discussion of at least one change.

Judgement with some justification / some evaluation of choices made.

Candidates discussing two or more changes in detail and in context should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited knowledge and understanding of relevant business concepts in context.

Limited ability to discuss the changes with little/no explanation.

Simple judgement with limited justification / limited evaluation of choices made.

Candidates outlining all three changes in context should be rewarded with the top marks in the band.</td><td>1–4</td></tr>
<tr><td>0</td><td>No creditable response.</td><td>0</td></tr>
</table>
</td><td>12</td></tr>
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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>Relevant points could include:

<table>
<tr><td>A decrease in tax on people's income</td><td>• Increase in demand – as consumers have more disposable income to spend – especially on luxury products like ice cream – increase in revenue.
• Decrease in demand – if consumers spend their additional disposable incomes on alternative products such as restaurants – then there will be fewer visits to buy products from TT's 50 cafes – may lead to a decrease in profit.</td></tr>
<tr><td>An increase in tax on business profits</td><td>• Less profit available after tax – as more of TT's profit has been taken to pay tax to the government – may be less available capital for reinvestment in the new cafe – so may have to rethink the expansion plans.
• May also reduce expansion by competitors as less profit available after tax – as they choose not to expand and open cafes near to existing TT cafes – may maintain demand for cakes at TT's cafes.</td></tr>
<tr><td>A decrease in interest rates</td><td>• Lower expenses from interest payments on their existing loan – or if a further bank loan is taken out to fund the expansion of TT – may lead to higher profits.
• Customers may have less interest paid on their savings – less available income to spend on treats like luxury desserts – decreased sales/revenue for TT.</td></tr>
<tr><td>Conclusion</td><td>Justification might include:
• The decrease in tax on people's income will have the greatest effect on TT because the increase in income may lead to an increase in sales and revenue. Whereas the increase in tax on profits is less likely to have an effect as the increase is only 2% from 24% to 26%. The decrease in interest rates may only affect TT if it takes out an additional bank loan to fund the expansion plans.
• The increase in tax on profits will have the greatest effect on TT as it might reduce the amount of capital available for the expansion and may result in TT having to take out a bank loan of $500 000 for the cafe expansion which will increase its expenses when paying interest.
• The decrease in interest rates will have the greatest effect on TT as it will reduce the interest payments that would have had to be paid if an additional bank loan is taken out to finance the new cafe if there is not enough retained profit.</td></tr>
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