CAMBRIDGE
International Education

Cambridge IGCSE™

BUSINESS STUDIES **0450/22**

Paper 2 Case Study **May/June 2026**

MARK SCHEME

Maximum Mark: 80

Published

This mark scheme contains the instructions and marking guidance that our examiners used to mark candidate responses for this component.

Before they start marking, examiners complete a standardisation process. They review a range of candidate responses and discuss the mark scheme in detail to agree which answers can and cannot be accepted. Examiners award marks where it is clear that candidate responses have met the requirements of the mark scheme. These requirements may vary between different components or different versions of the same component, depending on the exact requirements of the question and the candidate responses seen during the standardisation process.

Sometimes, our mark schemes may allow marks to be awarded to responses which contain elements that are factually incorrect or for content not covered by the syllabus. We do this in response to the demands of a specific question to support candidates and make sure that our assessments are fair. However, these allowances should not be used as a guide for teaching and learning.

We cannot discuss the mark scheme with schools, and we recommend that schools read the mark scheme together with the assessment material and the Principal Examiner Report for Teachers.

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General marking principles
All examiners must apply these marking principles when marking candidate responses.

1	Examiners must award marks for each response in line with: • the specific **content** defined in the mark scheme • the specific **skills** defined in the mark scheme or in the level descriptions • the **standard of response** required as exemplified by the standardisation scripts.
2	Examiners must award **whole marks** (not half marks, or other fractions).
3	Examiners must award marks **positively**. This means that: • marks are not deducted for errors or omissions • marks are awarded for correct/valid answers as defined in the mark scheme and also for **other valid answers** which go beyond the scope of the syllabus and mark scheme referring to your team leader as appropriate • the quality of spelling, punctuation and grammar are judged **only** when the mark scheme indicates that these features are **specifically assessed** in the question. However, the meaning of all responses must be unambiguous.
4	Examiners must **consistently** apply the requirements of the mark scheme and any rules for what to do when candidates have not followed instructions correctly.
5	Examiners must use the **full range of marks** defined in the mark scheme, unless limited by the quality of the candidate responses seen.
6	Examiners must award marks according to the mark scheme and **must not** award marks 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.
- 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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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	Correct point.
	Incorrect point.
BOD	Used when the benefit of the doubt is given in order to reward a response.
TV	Used when parts of the answer are considered to be too vague to be given credit.
REP	Indicates where content has been repeated.
NAQ	Used when the answer or parts of the answer do not answer the question asked.
APP	Indicates appropriate reference to the information in the stem.
OFR	If a mistake is made in a calculation, and the incorrect figure that results from the mistake is used for subsequent calculations.
SEEN	Indicates that the page or content has been seen by examiner, but no credit given.
L1	Level 1 – Used in part (b) questions to indicate where a response includes limited knowledge and/or understanding.
L2	Level 2 – Used in part (b) questions to indicate where a response has a more detailed discussion and contains some evidence of justification.
L3	Level 3 – Used in part (b) questions to indicate where a response includes a well-justified recommendation.

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Question	Answer	Marks
1(a)	**Explain <u>four</u> ways to measure the size of KE.** Award 1 mark for each way of measuring size (max 4). Award a maximum of 1 additional mark for **each** explanation of the way **which must be applied to this context**. • Number of people employed – it employs a large number of people at 10 000 • Value of sales – it has a large current value of output at $90m per year • Capital employed – it is a public limited company • Volume of output– it has an output of 20 million units produced each year For example: Number of people employed (1) KE has at a high number at 10 000 employees (app). Notes: • Do not award number of factories, profit, type of business. amount of machinery or value of shares. **Application** might include: cooking pots/equipment; employs 10 000 people; public limited company; output of 20 million cooking pots; value of output is $90m/$180m; sells in the home country; competitive market; numerical information from Appendix 1 and 3.	**8**

<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 primary market research KE could use for its new product. Which method should KE use? Justify your answer.

- **interviews**
- **focus groups**
- **questionnaires**

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

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>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

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 applying them to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

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>

Notes:
- Answers should focus on research methods.
- Do not award mirror arguments (the advantage of one research method may be a disadvantage of another, but this should only be credited once).

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

<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>Interviews</td><td>• The interviewer can explain any questions that are not clear, and the interviewee does not understand – so the answers are more likely to be reliable and accurate
• Detailed information can be gathered about the interviewees likes and dislikes about cooking equipment – this data can be included in the new designs</td><td>• The interviewer could lead the interviewee into answering in a certain way – resulting in inaccurate results due to interviewer bias – so wrong designs for the kitchen equipment may be made – leading to lower sales
• Interviews are very time- consuming to carry out – which makes them an expensive way to gather information about consumer preferences in the very competitive market</td></tr>
<tr><td>Focus groups</td><td>• Qualitative data so opinions on different cooking pots can be gathered – may make the data more useful to the business
• Interaction between members of the group can help the business understand the reasons for people’s opinions – making them better able to meet their needs
• Questions can be explained – so opinions on which pots to produce is more reliable</td><td>• Expensive and time-consuming to collect
• Discussion could be biased if some panel members have strong opinions on which cooking pots are best – making the results less reliable
• Can be dominated by just a few people – so the researcher will need to be experienced in running focus groups to be able to deal with this – to ensure the results are not affected
• No numerical data is collected – which makes statistical analysis difficult</td></tr>
</table></td><td></td></tr>
</table>

<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>Focus groups</td><td>• They provide detailed information about consumers tastes and preferences for cooking equipment – so new designs will better meet customer needs – increasing sales
• Quicker and cheaper than individual interviews</td><td></td></tr>
<tr><td>Questionnaires</td><td>• Faster with quicker replies than other forms of primary research
• Cheaper to collect quantitative data about customer purchases of cooking pots than interviews
• Online questionnaires can automatically collate results about customer purchases of cooking equipment – hence saving KE time</td><td>• With no interviewer present the questions may not be understood – answers may be less valid/inaccurate about the low-priced products
• May not gain a wide range of views if only a random sample is used– they may not be customers of KE or be the main people who cook in the household – making their responses of little use</td></tr>
<tr><td>Recommendations</td><td colspan="2">Justification might include:
• Interviews will be the best method to use as it can gather detailed qualitative data about the opinions of customers. It is better than focus groups which can take longer to set up and arrange for all the members to attend the focus group. Questionnaires do not necessarily gather detailed opinions on the designs for cooking equipment most wanted by customers and may not even ask the right target group of people unless careful sampling is undertaken.</td></tr>
</table>
</td><td></td></tr>
</table>

Question	Answer		Marks
1(b)	Recommendations	• Focus groups will be the best method to use as the questions can be more focused on the likes and dislikes of customers or potential customers. The data is more likely to be useful in helping KE design equipment that will closely meet the customer needs for the **meals cooked**. • Questionnaires will be the best method to use as they are a lot cheaper to carry out than the other two methods and can gather a large amount of data about **cooking habits** of consumers, therefore designs will meet their customers' needs and requirements.	

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Question	Answer	Marks
2(a)	**Explain <u>four</u> roles of packaging for a product.** Award 1 mark for each role of packaging (max 4). Award a maximum of 1 additional mark for **each** explanation. There are no application marks available for this question. Relevant answers might include: • Protects the product – as the products could be broken or damaged / could perish • Reinforces the brand image of the product – such as the colour and logo on the packaging • Makes the product eye-catching – to attract customers • Information about the product can be written on the packaging – such as instructions on how to use the product / legal requirements such as ingredients or allergens • Makes it easy to open and use the product • Is suitable for the product to fit in easily • Makes it easier to transport the product Notes: • Do not award added value on its own. For example: Protects the product (1) from getting damaged as the products could be broken when being transported to the customer or retailer (1).	**8**

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

Using Appendix 1 and other information, consider the following <u>two</u> possible locations for KE's second factory. Which location should KE choose? Justify your answer.

- **location A**
- **location B**

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

Detailed discussion of both locations.

Well-justified recommendation.

Candidates discussing both locations in detail, in context and with a well-justified recommendation about why this would be a suitable location and why the alternative location was less suitable should be rewarded with the top marks in the band.</td><td>9–12</td></tr>
<tr><td>2</td><td>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.

Detailed discussion of at least one location.

Judgement with some justification / some evaluation of choice made.

Candidates discussing one or more locations in detail and applying them to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

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

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

Candidates outlining both locations 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>

Notes:
- Do not accept the assumption that KE has lots of money because it is a Public Limited Company.

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

<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>Location A</td><td>• Is much cheaper to buy than Location B as it costs $100 000 instead of $300 000
• Unemployment is higher – so it may be easier to recruit the labour for the new factory
• As unemployment is higher at 10% then wages paid may be lower – leading to lower costs – may be able to lower prices or increase profits
• Much nearer to raw material supplier – reducing transport costs of delivery – making deliveries quicker if raw materials are needed urgently</td><td>• Is further way from the main market at 80 km – which is 70 km further than location B – is likely to increase distribution costs
• Regularly has power cuts so production is likely to be interrupted – causing output to be lower – unable to meet orders</td></tr>
<tr><td>Location B</td><td>• Unemployment is lower at 5% – so may mean that people in the area have higher incomes and will be more likely to buy KE’s products – higher sales locally
• Is much closer to the main markets – so lower distribution costs – may make deliveries of cooking equipment quicker
• Never has a problem with power cuts – so production can continue and not be interrupted – meaning orders should be fulfilled on time</td><td>• Much higher cost to buy the land at $300 000 – this is a high initial cost to build the factory
• Raw materials are much further away at 100 km – which is 80 km further to go than location A – higher transport costs – increasing total costs on a regular basis and not just initial costs
• The distance is not ideal when they are considering lean production – as this relies on quick replenishment by suppliers</td></tr>
</table></td><td></td></tr>
</table>

Question	Answer	Marks
2(b)	Recommendation: Justification might include: • Location A should be chosen as it is much cheaper to buy the land and then transport costs for raw materials will be lower as it is 80 km closer to suppliers than location B. Also wage costs are likely to be lower at A than B as unemployment is at **10% instead of 5%** and it should be easier to recruit employees for the new factory. • Location B should be chosen as it is closer to the main market by 70km making distribution costs for the **kitchen equipment** lower and production should never be interrupted by power cuts.	

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Question	Answer	Marks
3(a)	**Explain <u>two</u> advantages to KE of introducing lean production.** Award 1 mark for each advantage (max 2). Award a maximum of 3 additional marks for **each** explanation of the advantage of using lean production – **one of which must be applied to this context.** Relevant advantages might include: • Less inventory/less storage required for raw materials – if JIT used it means components only ordered when required for production – reduces cost of storage of inventory / reduces amount of working capital required / may improve cash flow • Production is quicker – if Kaizen is used it means the factory layout is more effective – time is not wasted between the tasks of manufacturing products • Defects/waste could be reduced or eliminated – reduces repair/returns cost – customer happy with quality / good reputation • Employees might be able to offer ways for small continuous improvements in the factory – involvement may increase motivation – reduces unit costs • Better use of equipment – increased efficiency – lower cost per item produced • Some processes may be removed – speeds up the production process – increases productivity • Improves health and safety of employees as motion between tasks may be reduced – less time off work due to injury – more output produced Notes: • The first mark needs to be a clear benefit of lean production. • Explanation of one advantage could be used for another advantage but do not credit twice as this is repetition. • Motivation or less costs are development points and should only be credited once. For example: There is less storage required for raw materials (1). This is because if just-in-time inventory control is used (1) it means the raw materials are only ordered when required for production to manufacture cooking pots (app). This will reduce the warehouse space required and reduce costs (1). **Application** might include: cooking pots/equipment; employs 10 000 people; public limited company; output of 20 million cooking pots; value of output is $90m/$180m; sells in the home country; competitive market; sells at low prices; numerical information from Appendix 1 and 3.	**8**

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(b)</td><td>

Using Appendix 3 and other information, consider the <u>two</u> new products KE could produce. Which product should KE choose? Justify your answer using suitable calculations.

- **product A**
- **product B**

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

Detailed discussion of both products.

Well-justified recommendation.

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

Detailed discussion of at least one product.

Judgement with some justification / some evaluation of choice made.

Candidates discussing one or more products in detail and applying them to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

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

Simple judgement with limited justification / limited

evaluation of choice made.

Candidates outlining the two products 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>

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

<table>
<tr><td>Product A</td><td>• Price is $4 lower than for Product B at a price of $2 per item
• Break even output is 20 000
• Margin of safety is 20 000
• Contribution is $1.50
• Total revenue for 40 000 is $80 000
• Total cost for 40 000 is $50 000
• Profit for this product is $30 000
• Fixed costs are the same for both products at $30 000
• GPM = 75%
• PM = 37.5%</td></tr>
<tr><td>Product B</td><td>• Price for Product B is price of $6 per item which is higher than Product A
• Break even output is 10 000
• Margin of safety is 5 000
• Contribution is $3
• Total revenue for 15 000 is $90 000
• Total cost for 100 000 is $75 000
• Profit for this product per month is $15 000
• Profit is lower by $15 000 per month
• GPM = 50%
• PM = 17%</td></tr>
<tr><td>Recommendation</td><td>Justification might include:
• KE should choose to start producing Product A as it has a higher margin of safety of 20 000 items. It also has a lower price of $2 and more forecast sales. However, the profit margin is lower for Product B and profit is lower by $15 000 so Product B should not be produced.
• KE should choose to start producing Product B which has a lower break-even output of cooking pots at 10 000 pots so might be less difficult to achieve than Product A.</td></tr>
</table>

Notes:
• Accept profit or net profit as they are interchangeable terms.
• Figures should be labelled accurately e.g. specify gross profit or [net] profit etc. (or clear calculations/understanding of where figures have come from).
• To achieve Level 3, there should be a Level 2 point for both Product A and Product B.
• Level 3 must include a decision and show clear understanding of what the Level 2 figures mean.
• A recommendation based on comparing the figures without further understanding should be rewarded with a further Level 2.</td><td></td></tr>
</table>

Question	Answer	Marks
3(b)		

	Product A	**Product B**	
Price per item	$2	$6	APP
Additional FC	$30 000	$30 000	APP
VC per item	$0.50	$3	APP
Forecast Sales	40 000	15 000	APP
Contribution	$1.50	$3	L1
FC / SP - VC Break Even	$30 000 / $2 – $0.50 **= 20 000 units**	$30 000 / $6 – $3 **= 10 000 units**	L2
Margin of safety	**20 000 units**	**5000 units**	L2
Total Variable Costs	$20 000	$45 000	L1
Total Costs	$50 000	$75 000	L1
Sales Revenue Less Cost of Sales Gross Profit Less Expenses Profit (NP)	$80 000 $20 000 **$60 000** $30 000 **$30 000**	$90 000 $45 000 **$45 000** $30 000 **$15 000**	L1 L1 L2 APP L2
Gross Profit Margin	($60 000/$80 000 × 100) **= 75%**	($45 000/$90 000 × 100) **= 50%**	L2
Profit Margin	($30 000/$80 000 × 100) **= 37.5% (38%)**	($15 000/$90 000 × 100) **= 16.67% (17%)**	L2

Question	Answer	Marks
4(a)	**Explain <u>two</u> reasons why training employees is important to KE.** One mark for each reason why training is important (max 2). Award a maximum of 3 additional marks for **each** explanation of why training is important – **one of which must be in the context**. Relevant reasons might include: • Increased motivation of employees – work harder to produce output – as more skilled so employees are more efficient • More flexible workforce – employees can be moved between tasks as necessary – makes production less likely to slow down if employees are absent • Increased productivity/efficiency – lower unit costs • Quality of the product may be improved – greater customer satisfaction / improved brand image / improved reputation • Employees able to use new technology – easier to introduce new equipment to speed up production • Fewer mistakes as employees are trained – less waste / less repair costs • Workforce is more knowledgeable/skilled – able to complete tasks more effectively Notes: • Explanation of one reason could be used for another reason but do not credit twice as this is repetition. • Do not award – increased sales as explanation unless justified e.g. increased output means increased sales. For example: The business will have a more flexible workforce (1) this means when an employee is absent another employee can be moved to cover their task (1). Therefore, it can maintain the number of cooking pots produced (app) as there are no halts in production due to absent employees (1). **Application** might include: cooking pots/equipment; employs 10 000 people; public limited company; output of 20 million cooking pots; value of output is $90m/$180m; wants to introduce lean production; currently pays the minimum wage; competitive market.	**8**

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>
Consider the following <u>two</u> ways KE could become an ethical business. Which is likely to be the best way for KE? Justify your answer.

• buying from ethical suppliers
• paying fair wages to employees

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

Detailed discussion of both ways.

Well-justified conclusion.

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

Detailed discussion of at least one way.

Judgement with some justification / some evaluation of choice made.

Candidates discussing one or more ways in detail and applying these to the case should be rewarded with the top marks in the band.</td><td>5–8</td></tr>
<tr><td>1</td><td>Limited application of knowledge and understanding of relevant business concepts.

Limited ability to discuss the ways with little/noexplanation.

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

Candidates outlining both ways 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>

Notes:
• Paying fair wages is not the same as paying everyone the same wages.
• Can accept: It may be more difficult to find an ethical supplier or buying from ethical suppliers may be higher/lower quality
• For Level 3 there must be a decision not just a repeat of earlier content.
</td><td>12</td></tr>
</table>

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(b)</td><td>Relevant points might include:
<table>
<tr><td>Buying from ethical suppliers</td><td>• Pressure groups will be less likely to protest outside each of the two factories – which might encourage customers to buy their equipment from KE – increases sales from having a better reputation
• May be more expensive than buying from less ethical suppliers – possibly lowering the profit margin for each of KE's low priced products
• May reduce the range of raw materials available – may not be able to produce the most popular pots anymore – may reduce revenue</td></tr>
<tr><td>Paying fair wages to employees</td><td>• Higher wage rates might lead to higher motivation – improved quality of cooking products produced
• Improved employee loyalty – lower labour turnover – the 10 000 employees may be less likely to leave and work for another business – lower recruitment costs
• May sell more cooking pots – as this will provide employees with a higher income than they might otherwise have had – increasing revenue
• Wage costs are likely to be higher – which may lead to higher prices for cooking equipment – may lead to lower demand – reducing revenue</td></tr>
<tr><td>Conclusion</td><td>Justification may include:
• Raw materials purchased from ethical suppliers is the best way for KE to be an ethical business because it will lead to a good reputation and attract customers concerned about the environment. Revenue will be higher as more pots are sold and possibly higher profits will be made. Paying fair wages is less likely to have any effect on sales as employees may not buy more cooking pots.
• Paying fair wages is the best way for KE to be an ethical business because employees are more likely to be loyal and therefore lower recruitment costs, which covers the increased costs of the 10 000 employees.</td></tr>
</table></td><td></td></tr>
</table>

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