

Past-paper walk-through

Business finance ■ 5.1

eXercise

Questions in this set

- 9609/11 N25 Q2 ■ 5 marks
- 9609/23 N25 Q1 ■ 30 marks
- 9609/11 J25 Q4 ■ 5 marks

Reading the mark scheme

- **B1** a mark that stands on its own – the point is either made or not.
- **M1** a *method* mark: the right approach, even if the number is wrong.
- **A1** an *answer* mark, and it usually needs its M mark first.
- **C1** a working mark on the way to the answer.
- **//** separates answers the examiner accepts equally.
- **ecf** = error carried forward: a later part is marked on your own earlier answer.
- **owtte** = “or words to that effect” – the wording need not match.

Question 2

9609/11 N25 ■ Q2 ■ 5 marks

- 2 (a) Define the term *liquidation*. [2]
- (b) Explain **one** external source of finance for a business. [3]

Solution 2

(a) Mark scheme

- Define the term liquidation.
- Indicative content
- Responses may include:
- AO1 Knowledge and understanding
- CLEAR UNDERSTANDING (2 marks)
- ■
- process of selling off assets to repay debts/creditors (2)
- ■

Solution 2

- selling assets to settle liabilities (2)
 - ■
- when a business ceases trading and its assets are sold for cash to pay suppliers and other creditors (2)
- Clear understanding of the term liquidation is worth 2 marks. This is indicated by 2 ticks
- .
- PARTIAL UNDERSTANDING (1 mark)
 - ■
 - selling assets (1)
 - ■

Solution 2

- dissolution of a business (1) NOTE: do not accept bankruptcy.
- Partial understanding of the term liquidation is worth 1 mark. This is indicated by 1 tick
- .
- Accept all valid responses.
- 2
- 9609/11
- October/November 2025

Solution 2

(b) Mark scheme

- Explain one external source of finance for a business.
- Indicative content
- Responses may include:
- AO1 Knowledge and understanding
- 1 mark for identifying ONE external source of finance for a business.
- ■
- bank loans
- ■

Solution 2

- share capital
 - ■
- debentures
 - ■
- new partners
 - ■
- venture capital/private investment
 - ■
- bank overdrafts
 - ■

Solution 2

- leasing
 - ■
- hire purchase
 - ■
- mortgages
 - ■
- debt factoring
 - ■
- trade credit
 - ■

Solution 2

- micro-finance
- ■
- crowd funding
- ■
- government grant
- 3
- 9609/11
- October/November 2025
- AO2 Application
- 2 marks for DEVELOPED application/explanation of ONE source of finance.

Solution 2

- 1 mark for LIMITED application/explanation of ONE source of finance.
- ■
- borrowing money from a bank and paying it back in instalments, including interest, over an agreed period of time
- ■
- raising money by selling a share of the business to investors who then have voting rights and receive a dividend
- ■
- a long-term loan with a fixed interest rate where investors do not have voting rights but do receive the interest payment
- ■

Solution 2

- allowing new partners to buy into the business, providing more money and expertise; will require a share of the profit
- ■
- investors provide a mix of loan and share capital to a business which has a high risk of failure; want a return of partial
- ownership and control plus dividend on profits
- ■
- short term finance allowing a business to borrow up to an agreed limit for as long as it wishes but interest must be paid
- ■
- renting non-current assets for an agreed period of time, without owning them

Solution 2

- ■
- buying non-current assets in instalments over an agreed period of time, owning the asset once the final payment is
- made
- ■
- long term loans for the purchase of land and buildings, with the land or building used as collateral (security)
- ■
- selling unpaid invoices to financial institutions to gain immediate cash; there is a fee to be paid for this service
- ■

Solution 2

- short term finance – interest free loan from suppliers, with agreement to pay for goods/services within agreed time
- period after receiving invoice
- ■
- transfer of money from high income earners (individuals/countries) to low-income earners to develop business activities
- ■
- collecting a small amount of money from a large number of supporters, which may be a donation or a loan
- ■

Solution 2

- money from government to support business activity which benefits the country – jobs, production, R and D,
- competitiveness
- Accept all valid responses.
- 9609/11
- October/November 2025

Question 1

9609/23 N25 ■ Q1 ■ 30 marks

1 Solar Farms (SF)

SF is a private limited company that develops and maintains large-scale solar farms in country X. SF operates as a capital intensive business.

Bob is an entrepreneur and the majority shareholder of SF. He invested into SF's first solar farm. SF took out high-interest bank loans to cover initial cash flow problems and provide working capital. SF used internal (organic) growth over the next 10 years.

5

SF rents fields from farmers. Its main capital expenditure is solar panels, which are installed on the rented fields. The solar panels generate electricity, which SF sells to energy providers. Solar panel technology is constantly improving.

SF operates five solar farms in country X. A team of seven engineers maintain all of SF's solar farms.

10

Question 1

Table 1.1 shows SF's budgeted and actual data for 2024.

Table 1.1 SF's annual budgeted and actual data for 2024

	Budget (\$m)	Actual (\$m)
Revenue	5	4
Total costs	3	3.75
Profit	2	0.25

15

Bob has identified that SF can increase its revenue by using batteries to store electricity generated by the solar panels. This electricity can then be sold at peak times for premium prices. This will require significant investment into battery technology.

20

Question 1

Bob wants to retain control of SF but is concerned about the investment required for further growth. In 2024 the cost of renting new farmland and purchasing solar panels increased significantly.

ZB is a multinational battery manufacturer that is keen to start a joint venture with SF. If the joint venture goes ahead, ZB will insist that SF uses ZB batteries in all future solar farms. 25

- (a) (i) Identify **one** quality an entrepreneur needs for success. [1]
- (ii) Explain the term *working capital*. [3]
- (b) (i) Refer to Table 1.1. Calculate the profit variance for SF in 2024. State whether the variance is favourable or adverse. [3]
- (ii) Explain **one** drawback to SF of using budgets. [3]

Question 1

- (c) Analyse **two** limitations to SF of operating as a capital intensive business. [8]
- (d) Evaluate whether a joint venture is the most appropriate way for SF to grow. [12]

Solution 1

(a)(i) Mark scheme

- Identify one quality an entrepreneur needs for success.
- Indicative content
- Identification of a quality
- may include:
 - ■
 - Ambitious / inner drive
 - ■
- Risk taker

Solution 1

- ■
- Confident
- ■
- Inquisitive
- ■
- Adaptability / flexible
- ■
- Resilience / persistence / determination
- ■
- Innovative / creative

Solution 1

- ■
- Communication
- ■
- Leadership
- ■
- Decision making
- ■
- Builds trust
- If more than one answer is given, only mark the first, reading from top left to bottom right.

Solution 1

- Accept all valid responses.
- 1
- 9609/23
- October/November 2025

Solution 1

(a)(ii) Mark scheme

- Explain the term working capital.
- AO1 Knowledge and understanding
- 1 mark
- AO2 Application
- 2 marks
- 2 marks
- Developed application of one relevant point to a business
- context.

Solution 1

- 1 mark
- Knowledge of one relevant point is used to answer the question.
- 1 mark
- Limited application of one relevant point to a business context.
- 0 marks
- No creditable response.
- 0 marks
- No creditable response.

Solution 1

- Indicative content
- AO1 Knowledge and understanding
- Knowledge of working capital
- will include (max 1 mark):
 - ■
 - Current assets minus current liabilities
 - ■
 - Money / cash / funds / finance (to run the business)
 - ■
- Ability to run the business

Solution 1

- ■
- Day-to-day / general operations / current / short-term / immediate / trading
- 9609/23
- October/November 2025
- AO2 Application
- Limited application
- applies knowledge of working capital to a business context.
- Developed application
- +
- applies knowledge of working capital to a business context.

Solution 1

- ■
- Examples of short-term financial commitments, e.g. stock, salaries, utilities, suppliers, debts, financial obligations, bills
- etc.
- ■
- Reference to current ratio and/or acid test ratio (ideals of 2:1 or 1:1)
- ■
- Benefit of maintaining sufficient working capital, e.g. survival, avoid liquidation
- ■
- Ways to improve working capital, e.g. use of a bank overdraft

Solution 1

- ■
- Managing trade receivables, e.g. stopping/reducing trade credit to customers, debt factoring
- ■
- Managing trade payables, e.g. taking/prolonging trade credit from suppliers
- ■
- Example from a business concept
- Accept all valid responses.
- Exemplar and annotations
- Mark

Solution 1

- Rationale
- The ability to pay short-term financial obligations
- such as
- high interest on bank loans
- and avoid liquidation
- 3
- An answer which starts with the knowledge
- and then applies it to SF (case mentions
- high-interest bank loans). Avoid liquidation
- (survival) is the second application.

Solution 1

- Cash needed
- to fund the day-to-day operations
- such
- as paying staff salaries
- .
- 3
- Again, knowledge first, followed by
- application to business operations (day to
- day) and includes an example (salaries).
- Current assets minus current liabilities

Solution 1

- to measure the
- ability to pay day-to-day bills
- 2
- Knowledge and explanation for one
- application mark.
- It is a measure of the cash needed to operate
- .
- 1
- Not a perfect definition, but enough to
- award the knowledge mark. No attempt to

Solution 1

- apply.
- The capital the business needs to work.
- 0
- No knowledge of working capital.
- Tautological.
- 9609/23
- October/November 2025

Solution 1

(b)(i) Mark scheme

- Refer to Table 1.1. Calculate the profit variance for SF in 2024. State whether the variance is favourable or adverse.
- Indicative content
- Profit variance = actual profit–budgeted profit (1 mark – formula only)
- Profit variance = 250 000–2 000 000 (1 mark – use of correct figures in formula)
- Profit variance = (\$) 1 750 000 adverse variance (1 mark – correct answer (must include adverse))

Solution 1

- Answer =
(1 750 000 *adverse variance* / 1.75 *maladverse variance*) (3 marks – correct answer now working or needed)
- must include adverse
- OFR applies
- 3
- 9609/23
- October/November 2025
- Exemplar and annotations
- 3 marks
- Correct answer 3

Solution 1

- $(1\,750\,000 \text{ adverse or } 1.75 \text{ m adverse})$
- Working and \$ and m do not matter.
- Ignore + or -
- ■
- Must be three
- to denote the
- three marks.
- 2 marks
- EITHER
- ■

Solution 1

- Correct formula AND
- ■
- Correct identification of figures
- OR
- ■
- An incorrect answer with one mistake
- allowing OFR for final stage. Must have the
- correct variance stated for the answer given.
- OR
- ■

Solution 1

- A correct variance (1.75 m) with no adverse
- (or incorrectly states favourable)
- To award two marks, there must be
 - ■
- Two
- and a
- OR
- ■
- One
- , one

Solution 1

- and one
- 1 mark
- One of the following:
 - ■
 - Correct formula
 - ■
 - Correct identification of figures in an incorrect
 - formula
 - To award one mark, there must be:
 - ■

Solution 1

- One
- and two
- 0 marks
- No creditable content.
- To award zero marks, there must be
- ■
- One
- 9609/23
- October/November 2025

Solution 1

(b)(ii) Mark scheme

- Explain one drawback to SF of using budgets.
- AO1 Knowledge and understanding
- 1 mark
- AO2 Application
- 2 marks
- 2 marks
- Developed application of one relevant point to a
- business context.

Solution 1

- 1 mark
- Knowledge of one relevant point is used to answer the question.
- 1 mark
- Limited application of one relevant point to a business context.
- 0 marks
- No creditable response.
- 0 marks
- No creditable response.

Solution 1

- Indicative content
- AO1 Knowledge and understanding
- Knowledge of a drawback of budgets
- (max. 1 mark), including:
 - ■
 - Only as good as the figures used
 - ■
 - Do not take into account actual market conditions / external factors
 - ■
 - Ignores qualitative factors

Solution 1

- ■
- Can be manipulated to show desired rather than realistic outcomes / bias
- ■
- Time consuming to research / predict data
- ■
- Can hinder flexibility / innovation
- ■
- Less accurate in unstable times / long-term predictions
- ■
- Risk of internal conflict / managers competing for resources

Solution 1

- 3
- 9609/23
- October/November 2025
- AO2 Application
- Explanation of a drawback of budgets
- (max 1 mark), including:
 - ■
- Only as good as the figures used—inaccurate data may lead to poor decision making
- ■

Solution 1

- Do not take into account actual market conditions—competitiveness
- ■
- Ignores qualitative factors—such as new managers/leaders/competitors
- ■
- Can be manipulated to show desired rather than realistic outcomes – biased
- ■
- Time consuming to research / predict data—opportunity cost of lost time which could be spent on more profitable tasks
- ■
- Can hinder flexibility—missed opportunities to increase market share / differentiate

Solution 1

- ■
- Less accurate in unstable times / long-term predictions—more suited to the short-term
- ■
- Risk of internal conflict / managers competing for resources—hindering teamworking
- Context applied to SF
- (max 1 mark), including:
 - ■
 - Private limited company
 - ■

Solution 1

- Capital intensive business
- ■
- Bob is majority shareholder of SF
- ■
- Used internal (organic) growth
- ■
- The use of high interest loans to cover initial cashflow problems
- ■
- Rents fields from farmers
- ■

Solution 1

- Cost of maintenance team / 7 engineers salaries
- ■
- Data from Table 1.1
- ■
- Can increase revenue by using batteries to store electricity generated by solar panels
- ■
- Can sell electricity at peak times for premium prices
- ■
- Needs investment into battery technology

Solution 1

- ■
- Bob wants to retain control of SF
- ■
- Cost of renting new farmland and purchasing solar panels increased significantly in 2024
- ■
- ZB is a multinational battery manufacturer
- ■
- ZB wants to start a joint venture with SF
- ■

Solution 1

- ZB will insist that SF uses ZB batteries in all future solar farms if joint venture goes ahead
- Accept all valid responses.
- 9609/23
- October/November 2025
- Exemplar and annotations
- Mark
- Rationale
- A drawback is that the use of a budget is only as good as the
- figures used

Solution 1

- , which could lead to inappropriate decisions
- regarding SF's five solar farms
- .
- 3
- Accurate of data is a reasonable
- drawback, explained in the specific
- context of SF by using data from the
- context.
- Budgeted figures are less accurate in the long-term
- , as

Solution 1

- conditions are more likely to change which could affect SF's plans
- to form a joint venture
- .
- 3
- Reduction in accuracy over the long
- term
- which could affect the
- business's plans
- . This answer is
- then applied to SF for three marks in

Solution 1

- total.
- Future opportunities may be missed
- as budgets may hinder
- flexibility
- such as using batteries to store electricity
- .
- 3
- Although the
- appears first, it cannot
- be awarded until the

Solution 1

- has been found.
- However, there is obvious
- , so you
- can go back and award the
- .
- The budget ignores qualitative factors
- such as new
- competitors who may affect future sales
- .
- 2

Solution 1

- Ignoring qualitative factors is
- . The
- answer includes a relevant example
- which is used to explain the drawback
- , but only one mark as no application
- to SF's context.
- It is time consuming to forecast data to produce the budget
- . 1
- Time consuming is a relevant drawback
- for

Solution 1

- , but it hasn't been explained.
- SF has taken out high-interest bank loans to cover initial cash flow
- problems and so needs to use budgets
- .
- 0
- Although there is some relevant context,
- there is no knowledge of a drawback to
- SF of using budgets, so no marks can
- be awarded.
- 9609/23

Solution 1

- October/November 2025

Solution 1

(c) Mark scheme

- Analyse two limitations to SF of operating as a capital-intensive business.
- Level
- AO1 Knowledge and understanding
- 2 marks
- AO2 Application
- 2 marks
- AO3 Analysis

Solution 1

- 4 marks
- 2
- 3–4 marks
- Developed analysis
 - ■ 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.

Solution 1

- 1
- 1–2 marks
- ■
- Knowledge of two
- relevant points is
- used to answer the
- question.
- ■
- Knowledge of one
- relevant point is

Solution 1

- used to answer the
- question.
- 1–2 marks
- ■
- Application of two
- relevant points to a
- business context.
- ■
- Application of one
- relevant point to a

Solution 1

- business context.
- 1–2 marks
- Limited analysis
 - ■ 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

Solution 1

- 0 marks
- No creditable response.
- 0 marks
- No creditable response.
- 0 marks
- No creditable response.
- Limitation 1 in the left-hand side column, Limitation 2 in the right-hand side column
- 8
- 9609/23

Solution 1

- October/November 2025
- Indicative content
- AO1 Knowledge and understanding
- Knowledge of limitations of investing into capital intensive operations (max 2
- s), including:
 - ■
 - High cost / expensive
 - ■
 - Cost of financing
 - ■

Solution 1

- High maintenance costs
 - ■
- The need for skilled workers for maintenance
 - ■
- Need to train workers to use / maintain the capital equipment
 - ■
- The quick pace of technological change
 - ■
- Obsolescence of equipment
 - ■

Solution 1

- Reliance on machines that might break-down
- ■
- Reduced employee motivation due to repetitive work
- ■
- Lack of flexibility
- AO2 Application
- Max one
- for application in the first limitation and max one
- for application in the second limitation

Solution 1

- Application of the limitation of investing into capital intensive operations for SF (max 2
- s), including:
 - ■
 - Private limited company
 - ■
 - Bob is majority shareholder of SF
 - ■
 - Used internal (organic) growth
 - ■

Solution 1

- The use of high interest loans to cover initial cashflow problems
- ■
- Rents fields from farmers
- ■
- Cost of maintenance team / 7 engineers salaries
- ■
- Data from Table 1.1
- ■
- Can increase revenue by using batteries to store electricity generated by solar panels

Solution 1

- ■
- Can sell electricity at peak times for premium prices
- ■
- Needs investment into battery technology
- ■
- Bob wants to retain control of SF
- ■
- Cost of renting new farmland and purchasing solar panels increased significantly in 2024
- ■

Solution 1

- ZB is a multinational battery manufacturer
- ■
- ZB wants to start a joint venture with SF
- ■
- ZB will insist that SF uses ZB batteries in all future solar farms if joint venture goes ahead
- 9609/23
- October/November 2025
- AO3 Analysis
- Limited analysis

Solution 1

- – candidate shows one link in the chain of analysis.
- Developed analysis
- candidate shows two or more links in the chain of analysis or a two-sided analysis.
- Limitations
 - ■
 - High fixed costs–[the 25% increase in solar panels] may require unplanned sources of possibly expensive finance–may
 - reduce capital for future investment
 - ■
 - Cost of financing the equipment–high interest payments will increase expenses–reducing profits

Solution 1

- ■
- High maintenance costs—increase cash outflows—threaten liquidity/survival
- ■
- Need for skilled maintenance staff—[7 engineers] may require above average wages to travel across country X—add to
- fixed costs and reduce profitability
- ■
- Solar panels may be inefficient in 10 years compared to newest products—higher costs of operation in comparison to
- competition – make SF less competitive
- ■

Solution 1

- Need to train workers to use the machinery / capital equipment—cost of training—reduced profits
- ■
- The quick pace of technological change—need to purchase upgraded machinery to maintain competitiveness—high cost
- ■
- Obsolescence of equipment—competitors may have newer equipment giving them a competitive advantage—reduced
- market share
- ■

Solution 1

- Reliance on machines that might break down—disruption / delays to production—dissatisfied customers
- ■
- Reduced employee motivation due to repetitive work—reducing efficiency—reducing profitability
- ■
- Lack of flexibility—production stopped whilst machines are reset to produce different products—inefficiency
- Accept all valid responses.
- Exemplar and annotations
- AO1 Knowledge

Solution 1

- AO2 Application
- AO3 Analysis
- The high costs of initial investment
- Which could hinder Bob's wish to
- retain control
- As decisions will need to be shared as
- part of the joint venture
- but it is a
- way of generating the additional
- finance needed

Solution 1

- .
- Obsolescence of fixed assets
- Which could lead to profit reducing to
- below \$0.25 m
- May lead to increased costs each
- year to update the fixed assets
- and make SF less profitable
- .
- 9609/23
- October/November 2025

Solution 1

(d) Mark scheme

- Evaluate whether a joint venture is the most appropriate way for SF to grow.
- Level
- AO1 Knowledge
- and understanding
- 2 marks
- AO2 Application
- 2 marks
- AO3 Analysis

Solution 1

- 2 marks
- AO4 Evaluation
- 6 marks
- 3
- 5–6 marks
- Developed evaluation in context
- ■
- A developed judgement/conclusion
- is made in the business context.
- ■

Solution 1

- 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

Solution 1

- question.
- 2 marks
- Developed
- application of
- relevant point(s) to
- the business
- context.
- 2 marks
- Developed analysis
- that identifies

Solution 1

- connections
- between causes,
- impacts and/or
- consequences.
- 3–4 marks
- Developed evaluation
- ■
- A developed judgement/conclusion
- is made.
- ■

Solution 1

- 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

Solution 1

- Limited application
- of relevant point(s)
- to the business
- context.
- 1 mark
- Limited analysis
- that identifies
- connections
- between causes,
- impacts and/or

Solution 1

- consequences.
- 1–2 marks
- Limited evaluation
- ■
- A judgement/conclusion is made
- with limited supporting
- comment/evidence.
- ■
- An attempt is made to balance the
- arguments.

Solution 1

- 0
- 0 marks
- No creditable
- response.
- 0 marks
- No creditable
- response.
- 0 marks
- No creditable
- response.

Solution 1

- 0 marks
- No creditable response.
- 12
- 9609/23
- October/November 2025
- Indicative content
- AO1 Knowledge and understanding
- Knowledge of joint ventures (max 2
- s), may include:
- ■

Solution 1

- Two (or more) parties
 -
- Work towards a shared task/objective
 -
- Maintain distinct identities
 -
- Can be equity or non-equity based
 -
- Shared profits/losses/responsibilities
 -

Solution 1

- Pool resources/skills/experience/capabilities
- AO2 Application
- Limited application
- applies knowledge of growth to SF once
- Developed application
- +
- applies knowledge of growth to SF twice.
- ■
- Private limited company
- ■

Solution 1

- Capital intensive business
- ■
- Bob is majority shareholder of SF
- ■
- Used internal (organic) growth
- ■
- The use of high interest loans to cover initial cashflow problems
- ■
- Rents fields from farmers
- ■

Solution 1

- Cost of maintenance team / 7 engineers salaries
- ■
- Data from Table 1.1
- ■
- Can increase revenue by using batteries to store electricity generated by solar panels
- ■
- Can sell electricity at peak times for premium prices
- ■
- Needs investment into battery technology

Solution 1

- ■
- Bob wants to retain control of SF
- ■
- Cost of renting new farmland and purchasing solar panels increased significantly in 2024
- ■
- ZB is a multinational battery manufacturer
- ■
- ZB will insist that SF uses ZB batteries in all future solar farms if joint venture goes ahead
- 9609/23

Solution 1

- October/November 2025
- AO3 Analysis
- Limited analysis
 - – candidate shows one link in the chain of analysis.
- Developed analysis
 - – candidate shows two or more links in the chain of analysis.
- Is appropriate
- ■
- Pool resources/skills/experience/capabilities–increased efficiency–improving overall profitability

Solution 1

- ■
- Fast growth—generates more finance—less risk/cost of borrowing / interest
- ■
- Maintain distinct identities—maintain brand/business name and reputation—support future growth
- Is not appropriate
- ■
- Share profit/losses—lower profit than if worked on project alone—reduced funds for future growth
- ■

Solution 1

- Loss of control of operations—may have to change aims and objectives—affecting decision making
- ■
- Condition of joint venture if that SF uses ZB batteries—may not be the most appropriate type of battery—increase long
- term costs / decrease long term profit potential
- AO4 Evaluation
- Limited evaluation – an unsupported judgement and/or weak attempt at an evaluative comment
- Developed evaluation—supported judgement and/or reasonable evaluative comment

Solution 1

- Developed evaluation in context–supported judgement in context and/or reasonable evaluative comment in context
- .
- ■
- Relative importance of control–are other issues more important, e.g. market share, economies of scale, specific
- industry/technology experience, ability to source batteries by SF
- ■
- Choice depends on SF/Bob's long-term goals. Does he want to remain in sole control, does Bob want a partner to
- share the workload/risk.

Solution 1

- ■
- Comparison with other ways to grow, e.g. merger.
- ■
- The impact of external influences
- ■
- Choice of partner
- ■
- A judgement on whether a joint venture is the most appropriate way for SF to grow
- Accept all valid responses.

Solution 1

- 9609/23
- October/November 2025
- Exemplars for awarding evaluation
- L1
- (limited supporting
- evidence)
- L2
- (developed supporting
- evidence)
- L3

Solution 1

- (developed supporting
- evidence with context)
- A joint venture is the best way for SF
- to grow.
- A joint venture is the best way for SF
- to grow. It will help Bob to quickly
- generate the extra capital needed to
- buy the battery technology.
- A joint venture is the best way for SF
- to grow. It will help Bob to quickly

Solution 1

- generate the extra capital needed to
- buy the battery technology, and
- increase profitability by selling
- electricity at peak times for premium
- prices.
- A joint venture is not the best way for
- SF to grow.
- A joint venture is not the best way for
- SF to grow. Bob will lose the ability to
- make the key decisions.

Solution 1

- A joint venture is not the best way for
- SF to grow. Bob will lose the ability to
- make the key decisions. Bob can
- retain control of SF as he wishes.
- 9609/23
- October/November 2025

Question 4

9609/11 J25 ■ Q4 ■ 5 marks

4 Analyse one way a business might fail as a consequence of lack of finance. [5]

Section B Answer one question only. EITHER

[5]

Solution 4

- Analyse one way a business might fail as a consequence of lack of finance.
- There are 5 marks for this question:
 - 1 mark for
 - 2 marks for
 - 2 marks for
 - Indicative content
 - Responses may include:
 - AO1 Knowledge and understanding

Solution 4

- 1 mark for
- identifying one way a business might fail due to lack of finance
- Inability to:
 - ■
 - sustain cashflows
 - ■
 - provide working capital
 - ■
 - build up reserves

Solution 4

- ■
- pay suppliers/variable costs
- ■
- invest
- ■
- obtain sources of finance
- ■
- maintain quality/innovation/research and development
- ■

Solution 4

- to recruit managers
- ■
- bankruptcy/insolvency/administration/liquidity issues
- 5
- 9609/11
- May/June 2025
- 4
- AO2 Application
- 2 marks for developed

Solution 4

- of the chosen way identified
- 1 mark for limited
- of the chosen way given
- ■
- A lack of finance may undermine a business's capacity to survive at various times and in various situation
- ■
- Such as the inability to purchase essential equipment
- ■
- An inability to cover day-to-day expenses (paying wages and suppliers)

Solution 4

- ■
- An inability to build up reserves in times of recession
- ■
- An inability to support essential growth and expansion plans.
- AO3 Analysis
- 2 marks for developed
- of the chosen way
- 1 mark for limited
- of the chosen way

Solution 4

- ■
- Insufficient start-up finance can lead to early business failure – significant capital investment is likely to be needed to
- provide an adequate infrastructure for survival, e.g. purchase of adequate equipment, hire of appropriate labour, initial
- launch expenditure and publicity material. Without sufficient finance, such an initial set of essential requirements will
- not be met, resulting in the likely collapse of a business.
- ■

Solution 4

- A business is likely to fail if it doesn't maintain adequate positive cash flows and sustain an adequate level of working
- capital. Poor financial management can lead to high inventory levels, an excessive number of debtors, and an inability
- to cover day-to-day activity expenses. If a business is unable to pay bills (especially suppliers) and pay employees, it
- will be unable to operate – businesses need to have several months of working capital in reserve as a buffer against
- delayed incoming payments.
- ■

Solution 4

- A business to be successful may need to continuously expand and grow – develop new products and expand into new
- markets. This growth and expansion requires funding and without an effective financial structure in place, businesses
- that are unable to expand are at risk of being left behind by competitors and eventually failing.
- ■
- Businesses need sufficient finance to respond to adverse economic conditions – unexpected recessions and
- depressions – the progress of any business is rarely linear – sufficient finance is needed for a business to survive

Solution 4

- challenging times – a lack of contingency finance can result in business failure.
- Accept all valid responses.
- 9609/11
- May/June 2025