

Past-paper walk-through

Sources of finance ■ 5.2

eXercise

Questions in this set

- 9609/11 N25 Q2 ■ 5 marks
- 9609/12 N25 Q5 ■ 20 marks
- 9609/13 N25 Q6 ■ 20 marks
- 9609/12 J25 Q6 ■ 20 marks
- 9609/21 J25 Q2 ■ 30 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 5

9609/12 N25 ■ Q5 ■ 20 marks

5 (a) Analyse **two** benefits to a business of using an internal source of finance for business growth. [8]

(b) 'The main reason why many small businesses fail is that they do not understand the difference between cash and profit.'

Evaluate this view. [12]

OR

Solution 5

(a) Mark scheme

- Analyse two benefits to a business of using an internal source of finance for business growth.
- Indicative content
- Responses may include:
- AO1 Knowledge and understanding – 1 mark for each identified benefit
 - ■
- May be readily and speedily available
- ■

Solution 5

- Will not increase business debt - gearing ratio unaffected
- ■
- Will not need repayment planning
- ■
- Will not require interest payments - low cost
- ■
- Will not lose any control over the business
- ■
- AO2 Application 1 mark for application/explanation of each identified benefit
- ■

Solution 5

- A business will avoid lengthy and costly applications for external finance
- ■
- Allows a business to focus on core competencies
- ■
- Avoids possible external interference of the business.
- ■
- Shareholders cannot influence business decisions
- AO3 Analysis – 2 marks for DEVELOPED analysis of each identified benefit
- – 1 mark for LIMITED analysis of each identified benefit
- The benefits of using internal sources of finance may include:

Solution 5

- ■
- Internal sources may mean lower costs of finance – the avoidance of loan, overdraft, credit card interest/fees.
- ■
- No interference by external investors, meaning owners can focus on original objectives
- ■
- No delay in acquiring the finance – waiting for approval could mean loss of business opportunities – no wait for credit
- reports – supports quick decisions.
- ■

Solution 5

- No requirement for collateral when using internal resources – simplified finance acquisition.
- ■
- Business avoids taking on any further legal obligations associated with external sources of finance – another indicator
- of internal control and independence.
- Accept all valid responses.
- 8
- 9609/12
- October/November 2025

Solution 5

(b) Mark scheme

- 'The main reason why many small businesses fail is that they do not understand the difference between cash and
- profit'. Evaluate this view.
- Indicative content
- Responses may include:
- AO1 Knowledge and understanding – 2 marks for DEVELOPED understanding L2 K and 1 mark for LIMITED
- understanding – L1 K- put ticks in body of script and annotate in left hand margin.

Solution 5

- ■
- Cash flows in and out of an operating business in a certain period of time - the life blood of an organisation
- ■
- Profit is revenue less all the expenses of a business in a certain period of time
- ■
- Business failure – reasons for this
- AO2 Application – 2 marks for DEVELOPED application L2 APP – 1 mark for LIMITED application L1 APP – put
- ticks in body of script and annotate in left hand margin.
- ■

Solution 5

- Produce goods and services on a relatively small scale – often sole proprietorships, partnerships or family businesses.
- ■
- High rate of small business failure in the early years of operation.
- ■
- likely to have very limited resources (capital, cash, and personnel)
- ■
- Inexperienced management/poor decision-making over a variety of areas – marketing, operations, finance – lack of
- competency
- ■

Solution 5

- May lack resources to match efficiency of larger competitors no cash for operations or growth – no economies of
- scale
- ■
- May have very small customer base – insufficient revenue
- ■
- Often have inadequate business plans
- ■
- Often do not see short term cash management and long-term profit maximisation as priorities
- ■

Solution 5

- Microfinance may be available
- 12
- 9609/12
- October/November 2025
- AO3 Analysis – 2 marks for DEVELOPED analysis L2 AN and 1 mark for LIMITED analysis L1 AN – put ticks in
- body of script and annotate in left hand margin.
- ■
- Failure to see that cash is not profit, and profit not cash means that businesses may be profitable but lack adequate
- cash flow.

Solution 5

- ■
- A business may make a profit over the period of a year but report a shortage of cash in the accounts, resulting in an
- inability to pay taxes on the profit made – leading to failure (forced into administration by a government).
- ■
- A business that generates profit while being cash negative may well not survive – a business that generates a lot of
- cash flow while remaining unprofitable may well survive – businesses need cash all the time and they can survive,
- even if they lack profit in the short term.

Solution 5

- ■
- Profit is a necessity for business growth over the long term, but cash is necessary for company survival in the short
- term.
- ■
- May well pursue profits in the short term in an effort to generate cash and neglect a focus on working capital
- ■
- The cash flow of a business provides a good indicator of its financial health – the cash flow of a business is tied to its

Solution 5

- core operations and activities and requires an effective cash management policy to ensure that there is always
- sufficient cash available to pay core and regular expenses, such as employee remuneration and materials/supplies.
- 9609/12
- October/November 2025
- AO4 Evaluation- up to 6 marks for evaluation – EVAL
- USE THE FOLLOWING TABLE:
- Developed/Supported judgement in context
- 6 marks
- Developed/Reasonable evaluative comments in context

Solution 5

- 5 marks
- Developed/Supported judgement without context
- 4 marks
- Developed/Reasonable evaluative comments without context
- 3 marks
- Limited supported judgement
- 2 marks
- An attempt to balance the arguments/Weak attempt at evaluative comments
- 1 mark
- ■

Solution 5

- Any judgements/conclusions/critical comment may be made at any point in the essay and not just in a concluding
- section.
- ■
- A judgement is made that a primary reason for small business failure is a lack of cash or working capital – caused by
- an inability to distinguish between cash and profit – a judgement supported by reasoned argument.
- ■
- A judgement is made that while a lack of cash is a fundamental reason for small business failure, it is not the only

Solution 5

- reason – there are many possible reasons.
- ■
- Some of the reasons adjudged to be significant, such as poor management and lack of an effective business plan, may
- actually lead to poor cash flow management.
- ■
- Other reasons for small business failure suggested in an evaluative section could include such factors as a flawed
- business model, inadequate start-up capital, unsuccessful marketing, poor market research and a poor business
- strategy.

Solution 5

- Accept all valid responses.
- 9609/12
- October/November 2025

Question 6

9609/13 N25 ■ Q6 ■ 20 marks

6 (a) Analyse **two** uses of cost information for a business. [8]

(b) 'A large bank loan is the most appropriate source of finance for the expansion of a furniture retailer.'

Evaluate this view. [12]

Solution 6

(a) Mark scheme

- Analyse two uses of cost information for a business.
- Indicative content
- Responses may include:
 - AO1 Knowledge and understanding
 - 1 mark for identifying ONE use (K)
 - ■
- provides vital information for effective decision-making- such as cash flow management

Solution 6

- ■
- cost information can be used to monitor business performance - identifying which products are most profitable
- ■
- can be used to reduce costs - take out high-cost centres
- ■
- role in selecting price strategy - cost based pricing
- ■
- calculating profits
- ■

Solution 6

- constructing break-even
 - ■
- setting budgets
 - ■
- financial reporting
 - ■
- choosing suitable location
 - ■
- choosing appropriate method of production
- 8

Solution 6

- 9609/13
- October/November 2025
- AO2 Application
- 1 mark for application of ONE use (APP)
- ■
- decision-making – start-up; expand; cost reduction
- ■
- measurement of performance – profit / loss; comparisons
- ■
- setting prices - cost plus pricing, contribution pricing

Solution 6

- ■
- whether to accept special orders – additional cost of order
- ■
- supports review of how areas of business contribute to overall business performance
- ■
- may be used as evidence to support business rationalisation
- AO3 Analysis - up to 2 marks for analysis of each use
- 2 marks for DEVELOPED analysis of each use (L2 AN)
- 1 mark for LIMITED analysis of each use (L1 AN)

Solution 6

- ■
- decision-making – can produce break even, budgets, cashflow forecasts, variances accurately and make informed
- decisions
- ■
- measurement of performance – knowing revenue minus total costs (fixed and variable) means profit or loss can be
- calculated
- ■
- identify cost centres – allocate costs to different departments / products and monitor

Solution 6

- ■
- comparing costs with previous years, predictions, competitors or different parts of the business is vital to assess and
- improve performance – more profitable / competitive
- ■
- cutting costs increases profits as long as revenue stays the same
- ■
- prices must cover all costs of the business to make a profit
- ■
- special orders – contribution of one product

Solution 6

- Accept all valid responses.
- 9609/13
- October/November 2025

Solution 6

(b) Mark scheme

- 'A large bank loan is the most appropriate source of finance for the expansion of a furniture retailer.'
- Evaluate this view.
- Indicative content
- Responses may include:
- AO1 Knowledge and understanding - 2 marks for DEVELOPED knowledge and understanding (L2 K)
- 1 mark for LIMITED knowledge & understanding (L1 K)

Solution 6

- ■
- sources of finance – internal and / or external – retained profit; share capital; debentures; venture capital; bank
- overdraft; leasing; hire purchase; bank loan; mortgage; debt factoring; trade credit; crowd funding; government grant
- ■
- types of expansion - buying new premises / extending current premises; employing more staff; increasing product
- range; buying outlets in different areas
- ■

Solution 6

- furniture manufacture – type of retailer – mass market or bespoke selling physically or online and / or online
- AO2 Application - 2 marks for DEVELOPED application (L2 APP) - 1 mark for LIMITED application (L1 APP)
- ■
- furniture retailers – a range from high end to self-assembly
- ■
- furniture retailer needs a show room to exhibit the furniture
- ■
- sofas, beds, tables, and chairs, home décor items
- ■

Solution 6

- Ikea, Lazy Boy, DFS, John Lewis, Furniture World, Furniture Village – accept local examples
- AO3 Analysis - 2 marks for DEVELOPED analysis (L2 AN) - 1 mark for LIMITED analysis (L1 AN)
- ■
- strengths and weaknesses of relevant sources of finance – availability, interest payments, amount required, short or
- long term, investor confidence, loss of control, input of new ideas,
- ■
- consideration of internal and / or external finance, long term and / or short term
- ■

Solution 6

- some types of finance may not be available / suitable / enough for expansion – crowdfunding, venture capital, micro-finance, overdraft, debt-factoring, trade credit
- ■
- consideration of different types of expansion and what finance method may be appropriate e.g. mortgage for buildings
- or land, leasing or hire purchase for buying new tills, shelving (is a retailer, not a manufacturer), becoming a plc for
- large scale expansion of an already recognised business
- 12
- 9609/13

Solution 6

- October/November 2025
- AO4 Evaluation – Up to 6 marks for EVALUATION - USE THE FOLLOWING TABLE:
- Developed / Supported judgement in context
- 6 marks
- Developed / Reasonable evaluative comments in context
- 5 marks
- Developed / Supported judgement without context
- 4 marks
- Developed / Reasonable evaluative comments without context

Solution 6

- 3 marks
- Limited supported judgement
- 2 marks
- An attempt to balance the arguments / Weak attempt at evaluative comments
- 1 mark
- A judgement / conclusion is made as to whether a large bank loan is the most appropriate source of finance for the expansion of a furniture retailer.
- These judgements / conclusions may be made at any point in the essay, not only in a concluding section.

Solution 6

- Appropriateness of finance may depend on:
 - ■
 - the type / extent of expansion being undertaken
 - ■
 - size and type of business ownership
 - ■
 - the amount of retained earnings, non-current liabilities, need to retain control of the business and make decisions,
 - interest rate levels and stability, opinions of current shareholders
 - ■

Solution 6

- government grant may only be possible if expansion benefits the area and / or meets governments objectives and
- criteria.
- ■
- could be more appropriate to use a variety of sources to finance the full amount, rather than just a large bank loan
- Accept all valid responses.
- NOTE: The marks for 5(b) and 6(b) are recorded in the following way. The marks are entered in the mark input
- column on the right-hand side of the screen
- The K marks are entered in the 5b / 6b AO1 box

Solution 6

- The APP marks are entered in the 5b / 6b AO2 box
- The AN marks are entered in the 5b / 6b AO3 box
- The EVAL marks are entered in the 5b / 6b AO4 box
- 9609/13
- October/November 2025
- Mark Grids for Section B
- Used for Q5(a) and Q6(a)
- Level
- AO1 Knowledge and
- understanding

Solution 6

- 2 marks
- AO2 Application
- 2 marks
- AO3 Analysis
- 4 marks
- 2
- 3–4 marks
- Developed analysis
- ■
- Developed analysis that identifies connections between causes,

Solution 6

- impacts and / or consequences of two points.
- ■
- Developed analysis that identifies connections between causes,
- impacts and / or consequences of one point.
- 1
- 1–2 marks
- ■
- Knowledge of two relevant
- points is used to answer
- the question.

Solution 6

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

Solution 6

- Application of one
- relevant point to a
- 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,

Solution 6

- impacts and / or consequences of one point.
- 0
- 0 marks
- No creditable response.
- 0 marks
- No creditable response.
- 0 marks
- No creditable response.
- 9609/13
- October/November 2025

Solution 6

- Mark Grids for Section B
- Used for Q5(b) and Q6(b)
- Level
- AO1 Knowledge and understanding
- 2 marks
- AO2 Application
- 2 marks
- AO3 Analysis
- 2 marks

Solution 6

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

Solution 6

- balance some key arguments in the business
- context.
- 2
- 2 marks
- Developed knowledge of
- relevant key term(s) and /
- or factor(s) is used to
- answer the question.
- 2 marks
- Developed application of

Solution 6

- relevant point(s) to the
- business context.
- 2 marks
- Developed analysis
- that identifies connections
- between causes, impacts
- and / or consequences.
- 3–4 marks
- Developed evaluation
- ■

Solution 6

- A developed judgement / conclusion is
- made.
- ■
- Developed evaluative comments which
- balance some key arguments.
- 1
- 1 mark
- Limited knowledge
- of relevant key term(s)
- and / or factor(s) is used

Solution 6

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

Solution 6

- 1–2 marks
- Limited evaluation
- ■
- A judgement / conclusion is made with
- limited supporting comment/evidence.
- ■
- An attempt is made to balance the
- arguments.
- 0
- 0 marks

Solution 6

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

Question 6

9609/12 J25 ■ Q6 ■ 20 marks

- 6 (a) Analyse **two** advantages to a business of using sale and leaseback of non-current assets as a source of finance. [8]
- (b) 'The use of budgets is the most effective way to monitor the performance of a hotel.'
- Evaluate this view. [12]

Solution 6

(a) Mark scheme

- Analyse two advantages to a business of using sale and leaseback of non-current assets as a source of finance.
- There are 8 marks in total for Q6(a)
- 4 marks for each of the two advantages of using sale and leaseback of non-current assets as a source of finance.
- These 4 marks consist of
 - 1 mark for
 - 1 mark for

Solution 6

- 2 marks for
- Indicative content
- Responses may include:
- AO1 Knowledge and understanding
- 1
- mark for identifying one advantage
- ■
- May unlock more funds than conventional sources of finance
- ■
- Provides a quick cash injection

Solution 6

- ■
- Avoids borrowing costs
- ■
- Helps to avoid/reduce debt
- ■
- Get cash but still retain full use of asset
- ■
- No maintenance costs
- ■
- Good option for a business in difficulty

Solution 6

- ■
- May support expansion/growth
- When lease ends payments end and there is an opportunity to immediately acquire latest advanced equipment – no assets
- to dispose of.
- 8
- 9609/12
- May/June 2025
- AO2 Application
- 1 mark for

Solution 6

- of the chosen advantage
- ■
- Sale and leaseback allows a business to free up capital that has been invested in an asset and to use the monies
- raised in more profitable and immediate uses – an alternative form of finance
- ■
- Capital raised can be used in more profitable and immediate ways
- ■
- Provides an alternative form of finance
- ■

Solution 6

- Gives more flexibility for financial needs
- ■
- For example if a bakery decides to sell and lease back its oven the leasing company will take over the repair and
- maintenance costs
- AO3 Analysis
- 2 marks for developed analysis of the chosen advantage
- 1 mark for limited analysis of the chosen advantage
- ■
- It converts non-current assets into capital without the need to lose control of the asset – and so provide capital to

Solution 6

- purchase additional assets – in the case of a manufacturer the sale and leaseback of a building could supply finance to
- purchase the latest cutting-edge machines.
- ■
- It avoids costs traditionally associated with conventional debt financing – for real estate transactions costs such as
- valuation and bank fees are avoided – sale-leaseback arrangements may well offer more flexible lease terms than a
- traditional lease, mortgage, or bank loan agreement. The lessee and lessor can set their own lease lengths and lower
- interest payments.

Solution 6

- ■
- A business may have the opportunity to list the leased asset as an operating expense rather than a liability on the
- balance sheet – having fewer liabilities gives a business more eligibility to increase borrowings.
- ■
- It can reduce risk to a business – owning freehold property, for example, comes with its own risks, such as property
- price fluctuations – new/struggling businesses may want to avoid such price fluctuation.
- ■

Solution 6

- It increases liquidity – the injection of cash can be used to find new ventures and/or pay off outstanding debts and so
- improve the debt-to-equity ratio of the business.
- Accept all valid responses.
- 9609/12
- May/June 2025

Solution 6

(b) Mark scheme

- 'The use of budgets is the most effective way to monitor the performance of a hotel'.
- Evaluate this view.
- There are 12 marks for Q6(b)
 - 2 marks for
 - 2 marks for
 - 2 marks for
 - 6 marks for

Solution 6

- Indicative content
- Responses may include:
 - AO1 Knowledge and understanding
 - 2 marks for developed knowledge and understanding
 - 1 mark for limited knowledge and understanding
 - ■
- Budget is a quantitative expression of a plan of action over a specific period of time – it predicts revenues and
 - expenditures – may include cash flows, revenues, liabilities, planned scale volume and other costs.
- ■

Solution 6

- Budgets need to provide controls and restraints – an analytical tool to reveal actual financial performance – return on
- assets with planned performance.
- ■
- Budgets are tools of financial management and control – set out specific expectations of results and so provide a
- standard to be used for performance evaluation.
- ■
- Business performance generally refers to making best use of resources to achieve corporate objectives, which may be

Solution 6

- economic or social, measured by a number of metrics – Key Performance Indicators (KPIs) such as profitability,
- productivity, market share, customer satisfaction.
- 12
- 9609/12
- May/June 2025
- AO2 Application
- 2 marks for developed application/context
- 1 mark for limited application/context
- ■

Solution 6

- Hospitality sector businesses, such as hotels, focus on providing accommodation, food, and conference planning –
- profit maximisation is the fundamental goal, which requires resource allocation and management to be properly
- planned and controlled.
- ■
- Hotels, as with other commercial businesses, seek a return on assets and have specific performance targets, such as
- revenue per available room, average occupancy rate, profit/loss on food offers. Financial performance measures are

Solution 6

- used to reveal the extent to which 'bottom line' targets are met but they also act as essential support methods to
- ensure that qualitative objectives, such as sustained customer satisfaction, are achieved.
- AO3 Analysis
- 2 marks for developed analysis
- 1 mark for limited analysis
- Budgets provide ways to monitor and control business performance in the following way:
 - ■

Solution 6

- Budgets provide a set of financial targets related to specific objectives agreed in order to achieve corporate business
- goals – provide a framework and a discipline to those working in the business and a standard of assessment relating to
- those targets.
- ■
- Budgets provide the discipline to ensure resources are allocated as agreed and provide indicates when analysed of
- variation/deviations – evidence of which provides effective evidence of the extent to which business performance is
- acceptable or needs amendment or adjustment.

Solution 6

- ■
- Budgets provide a structured plan which can lead to better decision-making and goal achievement – provides financial
- stability and guidelines essential for assessing business performance – budgets provide a set of strategic plans of
- action which check and control decisions.
- ■
- Budgets provide a basis for the evaluation of goals and policies – which can lead to further decisions on spending –
- budgetary tracking of progress is a measure of monitoring and controlling of performance.

Solution 6

- ■
- Budgets are systematic and organised – providing appropriate management information the continuing performance of
- business sectors – a systematic and organised set of financial measures to assess the effectiveness of the plans and
- actions of the business.
- 9609/12
- May/June 2025
- ■
- Budgets provide a business the ability share its operational process and budgetary process with important

Solution 6

- shareholders such as a governing body – board of directors – provide status updates on performance to investors.
- AO4 Evaluation: Up to 6 marks for evaluation:
- Developed/Supported judgement in context
- 6 marks
- Developed/Reasonable evaluative comments in
- context
- 5 marks
- Developed/Supported judgement without context
- 4 marks

Solution 6

- Developed/Reasonable evaluative comments
- without context
- 3 marks
- Limited supported judgement
- 2 marks
- An attempt to balance the arguments/Weak attempt
- at evaluative comments
- 1 mark
- ■

Solution 6

- Judgements/conclusions/critical comments may be made at any point in an essay, not just in a concluding section.
- ■
- Judgement may be made that while budgets have the potential to provide an effective way to monitor and control the
- performance of a business it does depend on the rigour and robustness of the budgets used – data may be defective;
- assumptions and targets may be unrealistic.
- ■
- It might be concluded that budgets are only one of a range of financial performance measures, such as value chain

Solution 6

- analysis, benchmarking and cost optimisation and should be seen as part of a package of accounting techniques and
- their importance assessed as such.
- ■
- A judgement might be made that in order to capture the full picture of hotel performance the reliance on quantitative
- financial measures such as budgets could be misleading – traditional performance measures such as budgets taken in
- isolation may provide misleading signals.
- ■

Solution 6

- It might be concluded that organisations today need more holistic performance measures to give a more representative
- impression of an hotel's performance – e.g., is the hotel providing service excellence – does it embrace innovation –
- does it take health and safety seriously (Covid 19 challenges).
- 9609/12
- May/June 2025
- ■
- It might be concluded that the use of budgets and resulting financial metrics, while important, does not necessarily

Solution 6

- provide the most effective way to monitor and control hotel performance – a more balanced scorecard approach is
- more appropriate for organisation and hotels today.
- Accept all valid responses.
- 9609/12
- May/June 2025
- Mark Grids for Section B
- Used for Q5(a) and Q6(a)
- Level
- AO1 Knowledge and understanding

Solution 6

- 2 marks
- AO2 Application
- 2 marks
- AO3 Analysis
- 4 marks
- 2
- 3–4 marks
- Developed analysis
- ■
- Developed analysis that identifies

Solution 6

- connections between causes, impacts and/or
- consequences of two points.
- ■
- Developed analysis that identifies
- connections between causes, impacts and/or
- consequences of one point.
- 1
- 1–2 marks
- ■
- Knowledge of two relevant points

Solution 6

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

Solution 6

- a 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

Solution 6

- consequences of one point.
- 0
- 0 marks
- No creditable response.
- 0 marks
- No creditable response.
- 0 marks
- No creditable response.
- 9609/12
- May/June 2025

Solution 6

- Mark Grids for Section B
- Used for Q5(b) and Q6(b)
- Level
- AO1 Knowledge and understanding
- 2 marks
- AO2 Application
- 2 marks
- AO3 Analysis
- 2 marks

Solution 6

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

Solution 6

- Developed evaluative
- comments which balance
- some key arguments in the
- business context.
- 2
- 2 marks
- Developed knowledge of
- relevant key term(s) and/or
- factor(s) is used to answer the
- question.

Solution 6

- 2 marks
- Developed application of
- relevant point(s) to the
- business context.
- 2 marks
- Developed analysis
- that identifies connections
- between causes, impacts
- and/or consequences.
- 3–4 marks

Solution 6

- Developed evaluation
- ■
- A developed
- judgement/conclusion is
- made.
- ■
- Developed evaluative
- comments which balance
- some key arguments.
- 1

Solution 6

- 1 mark
- Limited knowledge
- of relevant key term(s) and/or
- factor(s) is used to answer the
- question.
- 1 mark
- Limited application
- of relevant point(s) to the
- business context.
- 1 mark

Solution 6

- Limited analysis
 - that identifies connections
 - between causes, impacts
 - and/or consequences.
- 1–2 marks
- Limited evaluation
 - ■
 - A judgement/conclusion is
 - made with limited supporting
 - comment/evidence.

Solution 6

- ■
- An attempt is made to
- balance the arguments.
- 0
- 0 marks
- No creditable response.
- 0 marks
- No creditable response.
- 0 marks
- No creditable response.

Solution 6

- 0 marks
- No creditable response.

Question 2

9609/21 J25 ■ Q2 ■ 30 marks

2 Premium Homes (PH)

PH owns student rental accommodation in all the major cities in country Y. PH used demographic segmentation in its market research. This research identified that university students would pay a premium for high specification rental accommodation.

PH has specialist teams focused on sales, maintenance, customer service and finance. There is little opportunity for internal promotion. PH pays low salaries, however, it offers profit sharing to motivate its 150 employees. This has been effective as PH has had low labour turnover. 5

In the last two years, profit levels have fallen by 75%. In 2024, 45 employees left PH. Complaints about maintenance and customer service have increased due to the lack of experienced employees in PH. 10

The Finance Director is reviewing PH's existing sources of finance, shown in Fig 2.1.

Question 2

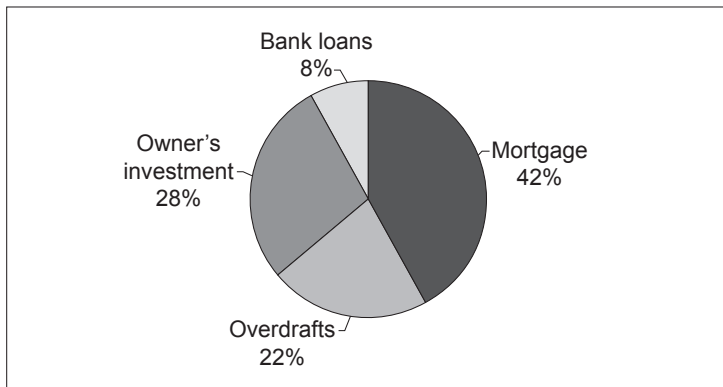


Fig 2.1 PH's sources of finance

Question 2

Frank, the Operations Director, wants to improve the sustainability of PH's operations. He plans to:

- stop renting out accommodation in some lower-income cities, and sell these buildings 15
 - upgrade accommodation in high-income cities
 - reduce the size of the workforce.
- (a) (i) Identify **one** way in which business size can be measured. [1]
- (ii) Explain the term *demographic segmentation*. [3]
- (b) (i) Refer to lines 6–8. Calculate PH's labour turnover in 2024. [3]
- (ii) Explain **one** way in which PH could use Maslow's Hierarchy of Needs. [3]
- (c) Analyse **one** advantage and **one** disadvantage to PH of using an overdraft as a source of finance. [8]

Question 2

- (d) Evaluate whether Frank's plan will improve the sustainability of PH's operations. [12]

Solution 2

(a)(i) Mark scheme

- Identify one way in which business size can be measured.
- Indicative content
- Identification of a method
- may include:
 - ■
- Capital employed
- ■
- Market capitalisation

Solution 2

- ■
- Market share
- ■
- Revenue (allow sales, sales turnover or turnover, income)
- ■
- Quantity sold
- ■
- Value of output
- ■
- Number of employees

Solution 2

- ■
- Area/space
- ■
- Number of outlets
- ■
- Number of customers
- Do not allow profit – which is a measure of success or performance, but not size.
- If more than one answer is given, only mark the first, reading from top left to bottom right.
- Accept all valid responses.

Solution 2

- 1
- 9609/21
- May/June 2025

Solution 2

(a)(ii) Mark scheme

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

Solution 2

- 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 2

- Indicative content
- AO1 Knowledge and understanding
- Knowledge of demographic segmentation
- may include:
 - ■
 - The identification of groups of customers with similar or common needs or characteristics within a market
 - ■
 - Dividing the market according to factors that describe the population
 - ■

Solution 2

- Specific customer groups / target markets
- AO2 Application
- Explanation of demographic segmentation
- (max 1 mark) including:
 - ■
- Study of population data/trends
- ■
- Examples of demographic factors, e.g. age, gender, race, social class, income
- Context applied to demographic segmentation
- , including (max 1 mark):

Solution 2

- ■
- A valid example of a business that uses demographic segmentation to plan how it markets its products, e.g. a luxury
- car manufacturer may use demographic segmentation to target its advertising at high-income individuals or PH targets
- its student rental accommodation at university students
- 3
- 9609/21
- May/June 2025
- ■
- Used for marketing of different products or services to specific consumer groups

Solution 2

- ■
- Helps the business to adapt the marketing mix to the needs of the target customer group
- ■
- Different marketing decisions for different groups
- Accept all valid responses
- Application can be made to PH or any other scenario/context/business/person.
- Exemplar and annotations
- Mark
- Rationale

Solution 2

- Dividing the market into groups
- according to age
- or gender
- , for example a clothes retailer has
- three departments with products for men, women
- and children
- .
- 3
- The answer starts with application but shows
- knowledge by the reference to age/gender. There is

Solution 2

- an example of the use of demographic segmentation
- by a clothes retailer.
- Identifying groups of customers with similar needs or
- characteristics within a market
- using population
- data such as age
- 2
- Clear knowledge. With some application of how
- Used for marketing of different products or services
- to specific types of customer

Solution 2

- 1
- A reasonable definition
- Segmenting using demographics
- 0
- Tautological
- 9609/21
- May/June 2025

Solution 2

(b)(i) Mark scheme

- Refer to lines 6–8. Calculate PH's labour turnover in 2024.
- Formula to calculate labour turnover:
 - ■
- number of employees leaving in 1 year
- Average number of people employed $\times 100$ (1 mark – formula only)
- Use of figures:
 - ■
- 45

Solution 2

- 150×100 (1 mark – use of correct figures)
- Labour turnover:
- ■
- 30% (1 mark – correct answer – no % necessary)
- Exemplar and annotations
- Rationale
- 3 marks
- Correct answer
- 30%
- Working and % do not matter.

Solution 2

- Must be three
- to denote the three marks.
- Correct rounding must be applied.
- 2 marks
- Both of the following:
 - ■
- Correct formula
- ■
- Correct identification of figures
- OR

Solution 2

- An incorrect answer with one mistake allowing OFR
- for final stage.
- OR
- 0.3 (has not completed final stage to multiply by 100)
- OR
- A correct answer from an inverted formula (3.3 –
- OFR)
- To award two marks, there must be
- ■
- Two

Solution 2

- and a
- OR
- ■
- One
- , one
- and one
- 3
- 9609/21
- May/June 2025
- Rationale

Solution 2

- 1 mark
- One of the following:
 - ■
 - Correct formula
- To award one mark, there must be:
 - ■
 - One
 - and two
 - 0 marks
 - No creditable content.

Solution 2

- To award zero marks, there must be
- ■
- One
- 9609/21
- May/June 2025

Solution 2

(b)(ii) Mark scheme

- Explain one way in which PH could use Maslow's Hierarchy of Needs
- AO1 Knowledge and understanding
- 1 mark
- AO2 Application
- 2 marks
- 2 marks
- Developed application of one relevant point to a business
- context.

Solution 2

- 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 2

- Indicative content
- AO1 Knowledge and understanding
- Knowledge of a use of a motivational theory
- (max 1 mark), including:
 - ■
- Change the way that employees are treated/managed/motivated at PH or relevant examples
- ■
- Make changes to increase motivation to maintain PH's low labour turnover/retain employees
- ■

Solution 2

- Understand employee behaviour/employee motivation
- ■
- Measuring employee needs
- AO2 Application
- Explanation of a use of Maslow's hierarchy of needs
- (max 1 mark), including:
- ■
- Explain how motivation affects how employees behave, e.g. an employee doing a repetitive job/working alone may
- have a high absenteeism rate

Solution 2

- ■
- Explain the use with reference to one of Maslow's categories of need, e.g. physiological, safety, love and belonging,
- esteem and self-actualisation needs
- ■
- Examples of how PH could change the way that employees are managed/motivated:
- ■
- Offer more opportunities for internal promotion
- ■
- Increase employee salaries

Solution 2

- ■
- Encourage employees to stay in the business
- ■
- Change working conditions
- 3
- 9609/21
- May/June 2025
- Context applied to PH
- (max 1 mark), including:
- ■

Solution 2

- Use of demographic segmentation in its market research
- ■
- University students would pay a premium price for high specification rental accommodation
- ■
- Specialist teams focused on sales, maintenance, customer service and finance.
- ■
- Little opportunity for internal promotion
- ■
- Low salaries

Solution 2

- ■
- Offers profit sharing
- ■
- 150 employees
- ■
- Low labour turnover
- ■
- Profit reduced by 75%
- ■
- In 2024, 45 employees left PH

Solution 2

- ■
- Increased complaints about maintenance and customer service
- ■
- Use of data from Fig. 2.1
- ■
- Operations Director wants to improve the sustainability of PH's operations
- Accept all valid responses.
- Exemplar and annotations
- Mark
- Rationale

Solution 2

- Managers can understand what motivates
- employees
- such as ensuring physiological needs
- are met
- for the 150 employees
- .
- 3
- Use of Maslow's hierarchy of needs by managers
- , with further explanation with reference to Maslow's
- hierarchy

Solution 2

- . The third mark is for reference to the
- context
- .
- Helps managers decide how to change their
- management style
- so that less than 45
- employees leave this year
- .
- 2
- Knowledge of a use and applied to the number of

Solution 2

- employees.
- Identifies the different motivations for human
- behaviour
- 1
- Knowledge of a use with no application
- Maslow's Hierarchy of needs is a motivational theory
- is the study of understanding what drives a person to
- work towards a particular goal or outcome
- .
- 0

Solution 2

- No use of Maslow's hierarchy of needs. This answer
- is a definition of the theory and does not answer the
- question
- 9609/21
- May/June 2025

Solution 2

(c) Mark scheme

- Analyse one advantage and one disadvantage to PH of using an overdraft as a source of finance.
- Level
- AO1 Knowledge and understanding
- 2 marks
- AO2 Application
- 2 marks

Solution 2

- AO3 Analysis
- 4 marks
- 2
- 3–4 marks
- Developed analysis
- ■
- Developed analysis that identifies connections
- between causes, impacts and/or consequences
- of two points.
- ■

Solution 2

- Developed analysis that identifies connections
- between causes, impacts and/or consequences
- of one point.
- 1
- 1–2 marks
- ■
- Knowledge of two
- relevant points is used
- to answer the
- question.

Solution 2

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

Solution 2

- ■
- Application of one
- relevant point to a
- business context.
- 1–2 marks
- Limited analysis
- ■
- Limited analysis that identifies connections
- between causes, impacts and/or consequences
- of two points.

Solution 2

- ■
- Limited analysis that identifies connections
- between causes, impacts and/or consequences
- of one point.
- 0
- 0 marks
- No creditable response.
- 0 marks
- No creditable response.
- 0 marks

Solution 2

- No creditable response.
- Advantage in the left hand side column, disadvantage in the right hand side column
- 8
- 9609/21
- May/June 2025
- Indicative content
- AO1 Knowledge and understanding
- Knowledge of one advantage using an overdraft as a source of finance
- (max 1 mark), including:

Solution 2

- ■
- Quick – previously agreed / immediately available
- ■
- Convenient – can use it as required
- ■
- Flexible
- ■
- No repayment schedule
- ■
- No loss of ownership

Solution 2

- Knowledge of one disadvantage using an overdraft as a source of finance
- (max 1 mark), including:
 - ■
- High interest rates / fees
- ■
- Can be recalled at any time
- ■
- Often low limit available
- ■
- Can only be used for short-term needs

Solution 2

- ■
- Must be repaid
- Note: the advantages/disadvantages have to be true for an overdraft, but not exclusively true to an overdraft (i.e. they may
- apply to other sources of finance).
- AO2 Application
- Application of an advantage or disadvantage to PH
- , including:
- ■
- Use of demographic segmentation in its market research

Solution 2

- ■
- University students would pay a premium price for high specification rental accommodation
- ■
- Specialist teams focused on sales, maintenance, customer service and finance.
- ■
- Little opportunity for internal promotion
- ■
- Low salaries
- ■

Solution 2

- Offers profit sharing
- ■
- 150 employees
- ■
- Low labour turnover
- ■
- Profit reduced by 75%
- ■
- In 2024, 45 employees left PH
- ■

Solution 2

- Increased complaints about maintenance and customer service
- ■
- Use of data from Fig. 2.1
- 9609/21
- May/June 2025
- ■
- Operations Director wants to improve the sustainability of PH's operations
- ■
- Use of data from Fig. 2.1
- ■

Solution 2

- Operations Director wants to improve the sustainability of PH's operations
- AO3 Analysis
- Limited analysis of an advantage/disadvantage of using an overdraft
- – candidate shows one link in the chain of
- analysis.
- Developed analysis of an advantage/disadvantage of using an overdraft
- candidate shows two or more links in the chain
- of analysis or a two-sided analysis.
- Analysis may include:
- ■

Solution 2

- Quick – previously agreed / immediately available; the funds can be used for expansion immediately – leading to
 - increased market share
 - ■
- Convenient – can use it as required; no time is wasted with application – can be used for other activities such as
 - marketing
 - ■
- Flexible; can be used for any type of purchase – to meet the business objectives
 - ■

Solution 2

- No repayment schedule; this will reduce cash outflows – This money can be used to better maintain the properties
- rented, reducing customer complaints.
- ■
- High interest rates/fees; higher interest rates may increase costs – this will reduce profits
- ■
- Can be recalled at any time; the business may need to suddenly repay the money leading to cashflow problems –
- threatening business survival
- ■

Solution 2

- Often low limit available; The overdraft limit may be low. This will limit the investments that PH can make – therefore
- the business will not be able to reduce complaints.
- ■
- Can only be used for short-term needs; limiting the project that the money can be used for – some objectives may not
- be met
- ■
- Must be repaid; increasing cash outflows – less funds available for marketing
- Accept all valid responses.
- 9609/21

Solution 2

- May/June 2025
- Exemplar and annotations
- AO1 Knowledge
- AO2 Application
- AO3 Analysis
- Exemplar of an advantage
- Annotations for the
- advantage should be
- placed in the left-hand
- margin.

Solution 2

- Interest only charged on the
- overdrawn amount
- For upgrading
- accommodation in high-
- income cities
- .
- Ensures short term cost is
- minimal
- reducing further
- pressure on profit levels

Solution 2

- .
- Exemplar of a disadvantage
- Annotations for the
- disadvantage should be
- placed in the right-hand
- margin.
- The funds need to be repaid
- If student accommodation
- not rented out
- .

Solution 2

- This could lead to a bad
- credit rating if payments
- missed
- which may
- increase cost of future
- borrowing
- .
- 9609/21
- May/June 2025

Solution 2

(d) Mark scheme

- Evaluate whether Frank's plan will improve the sustainability of PH's operations
- Level
- AO1 Knowledge and understanding
- 2 marks
- AO2 Application
- 2 marks
- AO3 Analysis

Solution 2

- 2 marks
- AO4 Evaluation
- 6 marks
- 3
- 5–6 marks
- Developed evaluation in
- context
- ■
- A developed
- judgement/conclusion

Solution 2

- is made in the
- business context.
- ■
- Developed evaluative
- comments which
- balance some key
- arguments in the
- business context.
- 2
- 2 marks

Solution 2

- Developed knowledge
- of relevant key term(s)
- and/or factor(s) is used to
- answer the question.
- 2 marks
- Developed application
- of relevant point(s) to the
- business context.
- 2 marks
- Developed analysis

Solution 2

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

Solution 2

- ■
- Developed evaluative
- comments which
- balance some key
- arguments.
- 12
- 9609/21
- May/June 2025
- Level
- AO1 Knowledge and

Solution 2

- understanding
- 2 marks
- AO2 Application
- 2 marks
- AO3 Analysis
- 2 marks
- AO4 Evaluation
- 6 marks
- 1
- 1 mark

Solution 2

- Limited knowledge
 - of relevant key term(s)
 - and/or factor(s) is used to
 - answer the question.
- 1 mark
- Limited application
 - of relevant point(s) to the
 - business context.
- 1 mark
- Limited analysis

Solution 2

- that identifies
- connections between
- causes, impacts and/or
- consequences.
- 1–2 marks
- Limited evaluation
- ■
- A
- judgement/conclusio
- n is made with limited

Solution 2

- supporting
- comment/evidence.
- ■
- An attempt is made
- to balance the
- arguments.
- 0
- 0 marks
- No creditable response.
- 0 marks

Solution 2

- No creditable response.
- 0 marks
- No creditable response.
- 0 marks
- No creditable response.
- Indicative content
- AO1 Knowledge and understanding
- Knowledge of sustainability of operations (max 1
-), including:
- ■

Solution 2

- Operating / surviving / remaining in business for the long-term / future / not running out of money / continuity / stable
- ■
- Efficiency
- ■
- Productive
- ■
- Day-to-day running of the business
- ■
- Keeping customers satisfied

Solution 2

- ■
- Maintaining profitability – reducing expenses and increasing revenue
- Note: The question stem asks about operational sustainability. Therefore, operational sustainability must be the focus of the
- answer, not environmental sustainability.
- 9609/21
- May/June 2025
- AO2 Application
- Application of an advantage or disadvantage to PB
- , including:

Solution 2

- ■
- Use of demographic segmentation in its market research
- ■
- University students would pay a premium price for high specification rental accommodation
- ■
- Specialist teams focused on sales, maintenance, customer service and finance.
- ■
- Little opportunity for internal promotion
- ■

Solution 2

- Low salaries
- ■
- Offers profit sharing
- ■
- 150 employees
- ■
- Low labour turnover
- ■
- Profit reduced by 75%
- ■

Solution 2

- In 2024, 45 employees left PH
- ■
- Increased complaints about maintenance and customer service
- ■
- Use of data from Fig. 2.1
- AO3 Analysis
- Limited analysis of whether the plan will improve the sustainability of PH's operations
- – candidate shows one link in the
- chain of analysis.

Solution 2

- Developed analysis of whether the plan will improve the sustainability of PH's operations
- – candidate shows two or
- more links in the chain of analysis.
- ■
- Financial stability; reduce short term cash inflow – reduce debt burden and interest payments
- ■
- Focus on profit; increase profit margins – focus on core values
- ■

Solution 2

- Increased efficiency of workforce; may lose excellent employees who take knowledge to competitors – lose market
- share/customer service may reduce further due to losing more experienced employees
- ■
- Keeping customers satisfied; increased market share – more market power / ability to increase prices
- ■
- Business continues for the long-term; increased employee satisfaction from greater job security – reduced labour turnover

Solution 2

- AO4 Evaluation
- Limited evaluation – an unsupported judgement and/or weak attempt at an evaluative comment
- Developed evaluation – supported judgement and/or reasonable evaluative comment
- Developed evaluation in context – supported judgement in context and/or reasonable evaluative comment in context
- .
- 9609/21
- May/June 2025
- ■

Solution 2

- The impact of the plan depends on the timescales, future aims and objectives and financial liquidity of PH. After
- downsizing the amount of revenue generated may not meet shareholder expectations
- ■
- Will demand for premium accommodation increase in the future? What are the demands of students?
- ■
- Should PH repurpose its accommodation for a different target audience, create a subsidiary brand and grow market
- share?

Solution 2

- ■
- Is market share and size the most important measure of success, or is profitability more important?
- ■
- The extension strategy may generate a short-term boost to sales/market share, but will it be sustained in the long-
- term?
- ■
- A judgement on whether the course of action is suitable for PH.
- Accept all valid responses.
- Exemplars for awarding evaluation

Solution 2

- L1
- (limited supporting evidence)
- L2
- (developed supporting evidence)
- L3
- (developed supporting evidence with context)
- Frank's plan will improve the

Solution 2

- sustainability of PH's operations.
- Frank's plan will improve the
- sustainability of PH's operations.
- Increased labour efficiency will reduce
- expenditure on salaries.
- Frank's plan will improve the
- sustainability of PH's operations.
- Increased labour efficiency will reduce
- expenditure on salaries. This will help
- to reverse the trend of reducing profit

Solution 2

- levels over the past two years.
- I don't think the sustainability of PH's
- operations will be improved.
- I don't think the sustainability of PH's
- operations will be improved. Investing
- in new accommodation will cost a lot
- of money.
- I don't think the sustainability of PH's
- operations will be improved. Investing
- in new accommodation will cost a lot

Solution 2

- of money, and PH does not have
- experienced employees to do the
- work as they have left.