3(a)	**Using the data in Table 1.2, calculate the payback of the country C location.** **Responses may include** Payback is in the fifth year (1)

Year	Net cashflow ($m)	Cumulative Cashflow
0	(10)	(10)
1	0.5	(9.5)
2	1.5	(8)
3	3	(5)
4	4	(1)
5	4	3

Payback is 4 years 3 months OR 4.25 years (2) Units required for full marks (Years/months)
Common error
5 years 3 months (1 mark if with evidence of appropriate working e.g. attempt at cumulative cashflow)

3(b)	**Using the data in Table 1.3, calculate the accounting rate of return (ARR) of the country D location.** **Responses may include** ARR = Average profit / average investment × 100 (1) = 2.8 / 12 × 100 = 23.3% (2) Answer of 23.3 or $23.3 (1 mark only) Using alternative ARR equation: 2.8 / 20 × 100 = 14% (1)
3(c)	**Evaluate which location KTJ should choose for its new factory.**

Level	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 2 marks	AO4 Evaluation 6 marks
3				**5–6 marks** **Developed evaluation in context** • A developed judgement/conclusion is made in the business context. • Developed evaluative comments which balance some key arguments in the business context.
2	**2 marks Developed knowledge** of relevant key term(s) and/or factor(s) is used to answer the question.	**2 marks Developed application** of relevant point(s) to the business context.	**2 marks Developed analysis** that identifies connections between causes, impacts and/or consequences.	**3–4 marks** **Developed evaluation** • A developed judgement/conclusion is made. • Developed evaluative comments which balance some key arguments.
1	**1 mark** **Limited knowledge** of relevant key term(s) and/or factor(s) is used to answer the question.	**1 mark** **Limited application** of relevant point(s) to the business context.	**1 mark** **Limited analysis** that identifies connections between causes, impacts and/or consequences.	**1–2 marks** **Limited evaluation** • A judgement/conclusion is made with limited supporting comment/evidence. • An attempt is made to balance the arguments.
0	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.

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3(c)

Responses may include:
AO1 Knowledge and understanding

Definition of payback / ARR / NPV (max 1 mark for definitions of any or all of these terms)

Factors in the decision
- Shorter payback.
- Higher ARR.
- Capital cost.
- Revenue expenditure required.
- Quality of infrastructure.
- Access to labour and utilities.
- Political/legal environment.
- Quantitative and qualitative factors.

AO2 Application
Limited application, APP *applies knowledge to KTJ once. Developed applicatio* APP APP *applies knowledge to KTJ twice.*
Application is making use of relevant case information not just repeating it.

Using data from Tables 1.1, 1.2 and 1.3
- Country D location is double the capital cost
- Country C has quicker payback by 9 months
- Country C has higher ARR by 1.7% points
- Country C may have lower wages
- Easier to export from Country D
- Bigger potential market in Country D
- Competition between farmers in country C
- Economies of scale in country D farming of fruit
- Mission statement regarding sustainability and ethical relationships with farmers.

3(c)

AO3 Analysis
Limited analysis AN *– candidate shows one link in the chain of analysis.*
Developed analysis L2 AN *– candidate shows two or more links in the chain of analysis or balance of argument.*

- Country D is a middle-income country and therefore households will have a higher incom AN this will result in higher sales of juices L2 AN
- KTJ juices are a premium product so will be relatively expensiv AN so juices may be less affordable in country C leading to lower sales L2 AN
- Seaport in country D will facilitate exports of KTJ's juice resulting in higher sales AN and may therefore increase profit L2 AN
- Reliable infrastructure in D could reduce delays and protect brand image resulting in higher sal AN .
- Lower fixed costs in C could improve cash flow reducing risk of liquidity problems for K AN
- Economies of scale in D may reduce per-unit costs and therefore increase pro AN .

AO4 Evaluation
Limited evaluation EVAL *– limited supported judgement and/or a weak attempt at evaluative comment. Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.*
Developed evaluation in context L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.*
- Supported judgement as to whether country C or D is better.
- Factors that decision might depend on:
  – Ability of KTJ to raise finance for more expensive option.
  – Willingness to take risk – electricity supply in country C and additional capital cost in D
  – Fit with KTJ's CSR – small farms rather than large scale fruit production
  – Importance of profit. C is marginally more profitable that D.
  – Depends on KTJ's tolerance for operational risk versus willingness to commit higher capital expenditure
  – Country D offers greater stability and scalability but requires larger upfront investment
  – Country C better supports CSR positioning but may compromise operational reliability
  – A phased investment strategy could balance initial risk with future growth potential
  – Decision may be influenced by external factors such as currency movements, access to finance and market growth trends
- Questioning whether Gudaf has the necessary experience / skill to conduct this investment appraisal.

Accept all valid responses.