

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) <table><tr><td>Year</td><td>Net cashflow (\$m)</td><td>Cumulative Cashflow</td></tr><tr><td>0</td><td>(10)</td><td>(10)</td></tr><tr><td>1</td><td>0.5</td><td>(9.5)</td></tr><tr><td>2</td><td>1.5</td><td>(8)</td></tr><tr><td>3</td><td>3</td><td>(5)</td></tr><tr><td>4</td><td>4</td><td>(1)</td></tr><tr><td>5</td><td>4</td><td>3</td></tr></table> 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)	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				
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4	4	(1)																								
5	4	3																								
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. <table><tr><th>Level</th><th>AO1 Knowledge and understanding 2 marks</th><th>AO2 Application 2 marks</th><th>AO3 Analysis 2 marks</th><th>AO4 Evaluation 6 marks</th></tr><tr><td>3</td><td></td><td></td><td></td><td>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. </td></tr><tr><td>2</td><td>2 marks Developed knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>2 marks Developed application of relevant point(s) to the business context.</td><td>2 marks Developed analysis that identifies connections between causes, impacts and/or consequences.</td><td>3–4 marks Developed evaluation - A developed judgement/conclusion is made. - Developed evaluative comments which balance some key arguments. </td></tr><tr><td>1</td><td>1 mark Limited knowledge of relevant key term(s) and/or factor(s) is used to answer the question.</td><td>1 mark Limited application of relevant point(s) to the business context.</td><td>1 mark Limited analysis that identifies connections between causes, impacts and/or consequences.</td><td>1–2 marks Limited evaluation - A judgement/conclusion is made with limited supporting comment/evidence. - An attempt is made to balance the arguments. </td></tr><tr><td>0</td><td>0 marks No creditable response.</td><td>0 marks No creditable response.</td><td>0 marks No creditable response.</td><td>0 marks No creditable response.</td></tr></table>	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 <i>Limited application, [APP] applies knowledge to KTJ once. Developed application [APP] [APP] applies knowledge to KTJ twice.</i> 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.
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3(c)	AO3 Analysis <i>Limited analysis [AN] – candidate shows one link in the chain of analysis.</i> <i>Developed analysis [L2/AN] – candidate shows two or more links in the chain of analysis or balance of argument.</i> • Country D is a middle-income country and therefore households will have a higher income [AN] this will result in higher sales of juices [L2/AN] • KTJ juices are a premium product so will be relatively expensive [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 sales [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 profit [AN] AO4 Evaluation <i>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.</i> <i>Developed evaluation in context [L3/EVAL] – supported judgement in context and/or reasonable evaluative comment in context.</i> • 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 than 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.
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