

4(a)

Using the data in Table 1.2, calculate the monthly revenue from the sales of the classic pie after the price increase.

		Mark
Correct new sales revenue \$ sign not required	$3500 \times \$3.60 = \$12\,600$	4
New quantity of sales	$5000 - 30\% = 5000 - 1500 = 3500$	3
% change in QD	$20\% \times -1.5 = (-)30\%$	2
Percentage change in price OR PED equation	$0.60/3.00 \times 100 = (+) 20\%$ Percentage change in Quantity demanded / Percentage change in price	1
No creditable response		0

4(b)

Evaluate the usefulness to PPP of elasticity measures when deciding on the marketing mix for the new cheese pies in export markets.

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.

4(b)	Responses may include: AO1 Knowledge and understanding <i>Limited knowledge [K] will be demonstrated through knowledge of the concept of elasticity of demand <u>or</u> knowledge of marketing strategy.</i> <i>Developed knowledge [K] + [K] will be demonstrated through knowledge of the concept of elasticity of demand <u>and</u> knowledge of marketing strategy.</i> Knowledge of elasticity of demand Understanding of different elasticity concepts: • promotional elasticity measures responsiveness of demand to changes in promotional spending • price elasticity measures responsiveness of demand to a change in price • cross price elasticity measures the responsiveness of demand to a change in price of another product • income elasticity measures the responsiveness of demand to a change in income. • Understanding of inelastic - not responsive and elastic - responsive to change in price / promotion / income. Knowledge of marketing strategy • Marketing strategy includes market research and marketing mix to achieve marketing objectives within a budget. • Marketing mix consists of price, place, promotion and product
------	---

4(b)	AO2 Application Do not reward APP for quoting elasticities, need to show understanding of the figures. <i>Limited application, APP applies knowledge to PPP once.</i> <i>Developed application, APP + APP applies knowledge to PPP twice.</i> • Estimated PED for classic pies is -1.5, which is price elastic, as confirmed by the calculation in 3a, the 20% increase in price would lead to a 30% decrease in demand. • Estimated PED for premium pies is -0.4, which is price inelastic. The 25% increase in price only led to a 10% decrease in demand • OFR for PED calculations • YED for classic pies is -1.2 (inferior good) and for premium pies $+1.5$ (normal/luxury good) • Monthly sales revenue following price increases would decrease (by \$2400) for classic pies but increase (by \$3000) for premium pies. • Market research data may suggest whether the demand for the proposed new cheese pie will be price elastic or price inelastic in other countries in the region. • As real incomes are falling in other countries in the region, cheese pies may be more successful if seen as a 'budget' product.
------	---

4(b)	AO2 Analysis <i>Limited analysis AN – candidate shows one link in the chain of analysis.</i> <i>Developed analysis L2AN – candidate shows two or more links in the chain of analysis.</i> • Knowledge of PED is useful to PPP in making decisions about pricing. For example, elastic PED would indicate that an increase in price would decrease revenueAN and therefore probably decrease profitL2AN. • Decreasing price, such as using a launch penetration price will increase quantity of cheese pies demanded and therefore increase revenue/encourage more customers to try the new productAN overall leading to a successful launch and loyal customers increasing profitL2AN. • As real incomes are falling, launching cheese pies as a 'budget' item should lead to higher sales due to negative YED. AN AO3 Evaluation <i>Limited evaluation EVAL – limited supported judgement and/or a weak attempt at evaluative comment.</i> <i>Developed evaluation L2EVAL – supported judgement and/or reasonable evaluative comment.</i> <i>Developed evaluation in context L3EVAL – supported judgement in context and/or reasonable evaluative comment in context.</i> • In a marketing strategy, PPP will also consider other factors e.g. promotional elasticity of demand and local tastes in different countries in the region. • As this is a new pie product being launched, existing elasticity data for other products may not be as useful • To what extent may a pan global strategy be suitable in this case? • A judgement about the usefulness of elasticity to marketing mix decisions. • A judgement about the most important factors influencing marketing strategy decisions. • A judgement about the limitations of elasticity calculations. • Measurement of elasticity is difficult and likely to be inaccurate due to large range of factors that will affect outcomes, particularly competitor decisions. Other things don't remain equal in markets. • Factors that the judgement could depend on including the degree of competitive rivalry in the market • Other elements of marketing strategy are important e.g. integrated marketing mix to ensure consistency in message communicated to potential customers and therefore attract sales. Accept all valid responses.
------	---

4(a)	Using the data in Table 1.4, calculate the four period centred moving average for Quarter 1 2025. Responses may include: 4 period moving average = 8 period moving total / 8 (1 mark if no relevant calculation) Calculation of one or two relevant 4 period totals (1) $7 + 5.5 + 4.2 + 6.4 = 23.1$ AND/OR $5.5 + 4.2 + 6.4 + 7.6 = 23.7$ Calculation of relevant 4 period totals and relevant 8 period total OR calculation of relevant 8 period total (2 marks) 8 period total = $23.1 + 23.7 = 46.8$ (2) Centred quarterly moving average = $46.8 / 8$ (3) = 5.85 or \$5.85m (4) Other common answers: $23.1 / 4 = 5.775$ OR $23.7 / 4 = 5.925$ (2) Not using the correct sales volume figures. 4 consecutive quarterly sales volumes added together and divided by 4 = 1 mark e.g. $(6 + 7 + 5.5 + 4.2) / 4 = 22.7 / 4 = 5.675$ (1)																												
4(b)	Evaluate the usefulness of time series analysis to KTJ in making business decisions. <table border="1"> <thead> <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> </thead> <tbody> <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> </tbody> </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.
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.																									

4(b)	Responses may include: AO1 Knowledge and understanding <i>Limited knowledge K will be demonstrated through knowledge of TSA.</i> <i>Developed knowledge K + K will be demonstrated through knowledge of TSA and its usefulness.</i> Examiner note: Do not reward comments that TSA is time consuming or calculations are complex or that workers require training. - Sales forecasting involves making a prediction of future sales. - Time series analysis is a method of forecasting based on extrapolation from past data. (maximum of 1 mark for definition of TSA / sales forecasting) - Benefits include: - Contribution to workforce planning. - Planning purchase of resources. - Greater accuracy in cash flow forecasting. - Aids operational decisions such as need to increase capacity. - Aids decisions about pricing. - Improves forecasting accuracy - Identifies both trend and seasonal variation. - Limitations - Based on historical data - Does not account for external changes AO2 Application <i>Limited application, APP applies knowledge to KTJ once. Developed applicatioAPP APP applies knowledge to KTJ twice.</i> <i>Application is making use of relevant case information not just repeating it.</i> - Q3 is peak month for sales. - Juice is not produced in the US but is imported. - Helps plan fruit imports. - The US market is very competitive. - Fluctuations in country B's exchange rate.
------	--

4(b)	AO3 Analysis <i>Limited analysis AN – candidate shows one link in the chain of analysis.</i> <i>Developed analysis L2AN – candidate shows two or more links in the chain of analysis.</i> - Helps ensure efficient use of labour and machinery helping to control costs of productAN and therefore profit. L2AN - Contributes to creating cash flow forecast which will help ensure that KTJ has sufficient finance in place to deal with future needsAN - Identifying the trend in sales growth will help set realistic marketing objectives in the marketing plan thus ensuring that resources are not wasteAN AO4 Evaluation <i>Limited evaluation EVAL – limited supported judgement and/or a weak attempt at evaluative comment. Developed evaluation L2EVAL – supported judgement and/or reasonable evaluative comment.</i> <i>Developed evaluation in context L3EVAL – supported judgement in context and/or reasonable evaluative comment in context.</i> - Using 4 period moving average fits the data well as there are clear seasonal variations ensuring that the technique is more likely to give reliable results. - Unexpected changes in the external environment such as entry of a new competitor will result in the predictions being incorrect and therefore less useful in making the best decisions. - TSA relies on future events behaving as in the past so may not be reliable as markets are dynamic - May be advisable to introduce an element of probability to the forecasts – what if analysis - Usefulness depends on stability of seasonal trends over time - Forecasts may be less reliable if market conditions change unexpectedly - Most effective when combined with other forecasting methods - More suitable for short-term operational planning than for long-term strategic decisions - Practical value depends on KTJ's capacity to adjust production and procurement in response to forecasts Accept all valid responses.
------	---