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.

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.

3(a)	**Using the data in Table 1.1, calculate the average monthly labour productivity for January to May 2025.** Average monthly labour productivity = Total output / Number of employees **OR** 90 000 / 480 (1) 187.5 (2) **OR** 188 (2)
3(b)	**Using the data in Table 1.1, calculate the percentage of output that failed to meet quality standards for January to May 2025.** Percentage failing to meet quality standards / output × 100 **OR** 15 000 / 90 000 × 100 (1) 16.67% **OR** 16.7% **OR** 17% (2) Accept 16.66% and 16.6% (2)
3(c)	**Evaluate the best approach for WS to improve the performance of its production employees.**

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.

3(c)

Indicative content

AO1 Knowledge and understanding
Limited knowledge K *will be demonstrated through knowledge of measures of performance.*
Developed knowledge K + K *will be demonstrated through knowledge of measures of performance <u>and</u> knowledge of how to improve performance of production employees.*

- Employee performance measured by productivity, absenteeism, labour turnover, accident rates, wastage/product rejection rates.
- HRM components: motivation, management styles.
- Reference to theories on motivation including: Taylor, Mayo, Herzberg and Maslow
- Possible techniques to improve performance include:
  - Providing better equipment and training.
  - Appropriate motivation techniques for employees.
  - Realistic informed target setting.
  - Bonus payments for production/waste targets.
  - Facilitating employee participation in decision making and/or working arrangements.

AO2 Application
Limited application, APP *applies knowledge to WS once.*
Developed application, APP + APP *applies knowledge to WS twice.*

- Batch production on assembly lines.
- Information from Table 1.1 showing employee performance measures.
  - Increase in number of units failing to meet quality standards.
  - Increase in labour turnover.
  - Increase in number of accidents.
- Use of bullet points on employee performance.
  - Wages 10% more than industry average.
  - Complaints about production targets.
  - On-the-job training.
  - Limited opportunities for career progression.
  - Strict management style.

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* Chains of reasoning developing how techniques will impact performance: • Bonuses for achievement of production targets will provide a financial incentive for production employees encouraging them to be more focused on increasing output and therefore increasing productivity. • Off the job training could make employees feel more valued and increase skills therefore improving motivation and quality of work which will reduce the number of defects and lead to higher output. • Empowering workers to make more decisions about their working day will reduce the conflict caused by the current strict management style and have a positive impact on motivation therefore resulting in a reduction in labour turnover. • Possible reasons for decreased performance include: • Little training ‘expected to learn on job’, non-participation in decision making ‘follow instructions’, complaints about targets. • Limited opportunities for progression. • All measures in Table 1.1 show decreasing performance. • Pay does not seem to be a factor ‘paid 10% more than industry average’. **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.* Justified recommendations based on analysis include: • More and better training for employees and supervisors. • More participation in decision making. • More freedom to carry out tasks as employees decide. • More motivation techniques to be applied e.g. regular appraisals, non-financial motivators. • Clear realistic targets set, possibly with bonuses for meeting them. • Regular meetings with employees and/or their representatives. • Balanced argument on the advantages and disadvantages of a given approach. • Weighting of advantages and disadvantages of a given approach. Accept all valid responses