## Solutions

Marking: **K** knowledge, **App** use of the case or data, **An** analysis (a chain of reasons: cause, then effect), **Ev** evaluation (a judgement with a reason). In calculations, **M1** is for the method and **A1** for the answer; **B1** is an independent mark.

Each answer shows the steps, then the **result**.

**2.1**

(a) penetration; (b) market development

(c) product development; (d) diversification

**2.2**

$0.5 \times 24 + 0.5 \times (-6)$

$= £\mathbf{9}$k

**2.3**

**10** of 20

geographic (4): fresh buns cannot travel far, so local production or licensing is needed

**2.4**

$50 \times 3.170$

$= £\mathbf{158.5}$k

money received later is worth less today, so each later year's synergy is discounted more

**3.1**

(a) $£\mathbf{70}$k

(b) $40 \times 3.871 = £\mathbf{154.8}$k

(c) $154.8 - 70 = £\mathbf{84.8}$k

(d) $250 + 154.8 = £\mathbf{404.8}$k

(e) Nimbus must add more value than it costs to run the café; e.g. pooled flour adds value, but the founder's time is scarce, so a manager is needed

**3.2**

(a) $0.7 \times 15 + 0.3 \times 3 = £\mathbf{11.4}$k

(b) $0.25 \times 80 + 0.75 \times (-20) = £\mathbf{5}$k

(c) its EV is less than half that of penetration; it loses money three times in four, and a £20k loss could hurt a small firm badly

**3.3**

**7–8**: a CAGE of 13 of 20 means far: food rules and distance raise exporting costs and risks (App); frozen buns may not match the fresh product the brand promises (An); licensing avoids shipping and rules, and uses local knowledge (An); but Nimbus earns only 5% and must protect the recipe and the brand's quality (K); a licence with quality control, inspection rights and the mark registered by Nimbus reduces this risk (Ev); recommendation with a condition, e.g. license, with a short first term and strict quality terms, and review sales before going further (Ev). **4–6**: sound analysis with limited use of the data or a weak judgement. **1–3**: relevant points, mostly descriptive.





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