

Cambridge IGCSE™ (9–1)

BUSINESS STUDIES**0986/12**

Paper 1 Short Answer/Data Response

May/June 2025**MARK SCHEME**Maximum Mark: 80

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the May/June 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

This document consists of **26** printed pages.

PUBLISHED**Generic Marking Principles**

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptions for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

PUBLISHED**Social Science-Specific Marking Principles
(for point-based marking)****1 Components using point-based marking:**

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

- a** DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
- b** DO credit alternative answers/examples which are not written in the mark scheme if they are correct
- c** DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons ...).
- d** DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
- e** DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
- f** DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
- g** DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	Correct point.
	Incorrect point.
BOD	Used when the benefit of the doubt is given in order to reward a response.
TV	Used when parts of the answer are considered to be too vague to be given credit.
REP	Indicates where content has been repeated.
NAQ	Used when the answer or parts of the answer do not answer the question asked.
K	Indicates knowledge and understanding of the concepts and issues relating to the question.
APP	Indicates appropriate reference to the information in the stem.
AN	Indicates where the answer has demonstrated analysis.
EVAL	Indicates where the answer has demonstrated evaluation (part (e) questions only).

Annotation	Meaning
OFR	If a mistake is made in a calculation, and the incorrect figure that results from the mistake is used for subsequent calculations.
SEEN	Indicates that the page or content has been seen by examiner, but no credit given.

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Question	Answer	Marks	Guidance
1(a)	Define ‘batch production’. Award 2 marks for a full definition. Award 1 mark for a partial definition. • Where a quantity/group of one product is made, then a quantity of another product will be produced [2] • A whole <u>batch/group</u> moves through the different stages of production <u>together</u> [2] Partial definition e.g. • Similar items made together/items made in a group/set [1] • Moving together through different stages of production [1]	2	One mark for idea of a group/set of products.
1(b)	Identify <u>two</u> aims of promotion. Award 1 mark for each aim (max 2). Points might include: • To raise awareness/inform/remind people about products/services • To persuade/attract (new) consumers / increase sales/revenue • To create/maintain brand/company image/reputation • Ensure/build customer loyalty/encourage repeat purchases • To introduce new products on to the market • To compete with competitors’ products/differentiate from competitors Other appropriate responses should be credited.	2	Only award the first two responses given.

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Question	Answer	Marks	Guidance
1(c)	Outline <u>one</u> advantage and <u>one</u> disadvantage to NFC of using quality assurance. Award 1 mark for each relevant advantage/disadvantage (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: Advantages: - Errors can be spotted earlier/during production [k] of the shoes [app] - Can motivate employees [k] so may be willing to offer ideas for its product range [app] - No need to recruit quality inspectors [k] Disadvantages: - All (production) workers need training/time/cost to train workers [k] which may take funds away from developing new products [app] - Not all workers are interested/able to spot problems [k] during batch production [app] - May slow down production [k] Other appropriate responses should be credited.	4	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: - Shoes - Batch (production) - Promotion (of products) <u>Developing</u> new products - Product range - Market segmentation Other appropriate examples can be credited.

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Question	Answer	Marks	Guidance
1(d)	Explain <u>two</u> benefits to NFC of using market segmentation. Award 1 mark for identification of each relevant benefit (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Can design/produce goods to meet specific needs of consumers/know what to produce [k] so that costs/materials are not wasted (producing wrong product) [an] especially as plan to develop new products [app] • Help target advertising/marketing strategies [k] to ensure maximum number of people see the products [an] which is an aim of promotion [app] • Identify gaps in the market/new opportunities [k] for its shoes [app] which can help spread risk [an] • May make marketing expenditure more effective [k] so do not waste money/resources [an] Other appropriate responses should be credited.	6	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Shoes • Batch production • Quality assurance • Promotion (of products) • <u>Develop</u> new products Other appropriate examples can be credited. Do not award answers about the benefits of market research.

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Question	Answer	Marks	Guidance
1(e)	Do you think the benefits of developing new products for a business are greater than the limitations? Justify your answer. Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for a justified decision as to whether the benefits of developing new products for a business are greater than the limitations. Points might include: Benefits: • Increase demand/customer (base)/sales [k] which may increase revenue/market share [an] • Can help spread risk/diversification [k] if sales fall for one product, this can be offset by sales of another product [an] • Provide competitive advantage/unique selling point (USP) [k] which could increase customer/brand loyalty [an] • Enter <u>new markets</u> [k] • Improve brand recognition/reputation [k] Limitations: • Must produce new/trial products/more raw materials [k] increases costs [an] • Need to carry out market research [k] increases cash outflows [an] • Need to launch/promote/market the new product [k] • Often requires large capital expenditure/cost of new machinery [k] • May need to recruit/train additional employees/specialists [k] Other appropriate responses should be credited.	6	This is a general question so there are no marks for application. To access evaluation must discuss at least one benefit and one limitation. For evaluation to be awarded justification will usually follow on from relevant analysis of points.

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Question	Answer	Marks	Guidance
1(e)	Justification might include: New products can help increase potential sales [k] which increases revenue [an]. However, there is a cost of developing new products [k] which increases cash outflows [an]. The benefits of developing new products are greater because the extra revenue gained could cover the additional costs [eval] which can increase the chance of growth/long term survival [eval].		

Question	Answer	Marks	Guidance
2(a)	Define ‘profit’. Award 2 marks for a full definition. Award 1 mark for a partial definition. • (Total) income of a business (revenue) less <u>total</u> cost [2] • (Total) revenue minus <u>total</u> costs [2] • Difference between revenue and <u>total</u> cost [2] • Gross profit – expenses [2] Partial definition e.g. • Revenue minus costs [1] Other appropriate responses should also be credited.	2	Max 1 mark if refer to money rather than revenue/income.

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Question	Answer	Marks	Guidance
2(b)	Identify <u>two</u> expenses a business might have. Award 1 mark for each expense (max 2). Points might include: • Rent • Rates • Electricity/gas/heating/lighting/water/utilities • Insurance • Interest • Storage • Marketing/advertising • Salaries • Maintenance/repairs • Phone/internet Other appropriate responses should be credited.	2	Only award the first two responses given.

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Question	Answer	Marks	Guidance
2(c)	Outline <u>two</u> possible reasons why FLD's gross profit is decreasing. Award 1 mark for identification of each relevant reason (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Low/fall in amount of sales/demand/customers [k] at its 460 shops [app] • Change in price / increase/decrease (selling) price [k] for the retailer [app] • Increase in <u>cost of sales</u> / <u>variable cost</u> / increase in cost of inventory [k] so gross profit is at \$200 million [app] Other appropriate responses should be credited.	4	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Furniture or related words e.g. chair • 460 (locations) • Large business • Shop/retailers • 20000 employees • \$400 million (revenue) • \$200million (gross profit) Other appropriate examples can be credited. Accept decreased revenue where no specific examples given e.g. fall in number of sales/change in price.

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Question	Answer	Marks	Guidance
2(d)	Explain <u>two</u> advantages to FLD of using internal recruitment when recruiting new managers. Award 1 mark for each relevant advantage (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • <u>Cheaper/lower</u> advertising costs (than external recruitment) [k] so lower/maintain expenses [an] of \$60 million [app] • Already knows the <u>business</u>/how the <u>business</u> works [k] so can be productive sooner [an] to help sell furniture [app] • Less/no (induction) training needed [k] • Can motivate employees [k] at the 460 locations [app] reducing labour turnover/increase employee loyalty/increase sales [an] • The business knows the person/their ability/reliability/potential/can trust them [k] reducing chance of selecting the wrong person [an] • Recruitment is quicker [k] so able to focus on other business tasks [an] such as increasing its revenue above \$400 million [app] Other appropriate responses should be credited.	6	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Furniture or related terms e.g. chair • 460 (locations) • Large business • Shop/retailers • 20 000 employees • \$60 million (expenses) • \$400 million (revenue) • \$200 million (gross profit) Other appropriate examples can be credited.

Question	Answer	Marks	Guidance
2(e)	Do you think job rotation is the best method for a large business to use to motivate its employees? Justify your answer. Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for a justified decision as to whether job rotation is the best method for a large business to use to motivate its employees. Points might include: Job rotation: • More flexible/gain new skills [k] leading to higher productivity [an] • Can cover/replace others when someone is absent [k] so may be able to meet an order on time [an] • Makes the work more interesting/less boring for employees [k] so lower absenteeism/labour turnover/increase productivity [an] • Increased training needed [k] increasing costs/expenses [an] • Workers may not be willing/able to do different tasks [k] lowering quality/increasing waste/leading to mistakes [an] • Takes time to switch to/learn different tasks [k] Other methods might include: • Job enrichment [k] adding more responsibilities/challenging work/making workers feel more valued/recognised/trusted [an] • Bonus [k] only pay out if target reached [an] • Praise [k] involves no additional cost [an] • Training [k] which provides new skills [an] • Promotion (opportunities) [k] Other appropriate responses should be credited.	6	This is a general question so there are no marks for application. To access knowledge candidates must name and not simply describe the method. For evaluation to be awarded justification will usually follow on from relevant analysis of points.

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Question	Answer	Marks	Guidance
2(e)	Justification might include: One advantage is the work is less boring for employees [k] which can lower absenteeism [an]. Another method is increasing wages [k] but this will increase expenses [an]. Job rotation is best for a large business because lower absenteeism would reduce costs of bringing in additional employees [eval] which could offset the higher labour costs for a large business which is likely to have many employees [eval].		

Question	Answer	Marks	Guidance
3(a)	Define ‘private sector’. Award 2 marks for a full definition. Award 1 mark for a partial definition. • (When business activities are) owned by individuals [2] • (The part of the economy that is) controlled by individuals and companies for profit [2] Partial definition e.g. • Not government/state controlled [1] • Run/controlled by individuals [1]	2	

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Question	Answer	Marks	Guidance
3(b)	Identify <u>two</u> reasons why new businesses are at a greater risk of failure. Award 1 mark for each reason (max 2). Points might include: • Lack of finance/(start-up) capital • Cash flow problems/lack of liquidity • Level of competition/market already saturated • Lack/low level of customers/demand/sales/lack of customer loyalty • Poor planning/no business plan/lack of objectives • Lack of (managerial/business) experience/skills • Inadequate/no market research/poor marketing • No/low reputation/brand awareness/brand image Other appropriate responses should be credited.	2	Only award the first two responses given.
3(c)	Identify <u>four</u> stakeholder groups a business might have. Award 1 mark for each stakeholder group (max 4). Points might include: • Employees/workers • Managers/directors • Owners/shareholders • Suppliers • Lenders/banks • Government • <u>Local</u> community • Customers Other appropriate responses should be credited.	4	Only award the first four responses given.

Question	Answer	Marks	Guidance
3(d)	Explain <u>two</u> characteristics Hal will need to become a successful entrepreneur. Award 1 mark for identification of each relevant characteristic (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Risk-taking [k] especially as plans to leave his job [app] because the owner may lose their investment [an] • Hard-working [k] as must be ready to do everything on own/as may have to work long hours [an] to set up his bakery [app] • Creative [k] as having (new) ideas can help gain customers [an] for his private sector business [app] • Effective communicator/persuasive [k] with his stakeholders [app] as may need to convince its banks/suppliers/customers to lend/provide/buy goods [an] • Perseverance/determination/resilience/self-motivated [k] so needs to be prepared to keep going when faced with problems [an] • Optimistic [k] so always think they will/can succeed [an] • (Self-) confident [k] so convince people/banks to invest [an] • Independent [k] as be able to work without any help [an] • Innovative [k] Other appropriate responses should be credited.	6	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Leave his job • Start-up/new business • Bakery or examples e.g. cakes, recipes • Private sector • Stakeholder (groups) Other appropriate examples can be credited. To access knowledge must identify a recognised characteristic.

Question	Answer	Marks	Guidance
3(e)	Do you think a bank loan is the best source of start-up capital for a new business? Justify your answer. Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for a justified decision as to whether a bank loan is the best source of start-up capital for a new business. Points might include: Bank loan • Quick to arrange [k] so does not delay plans/so can pay bills on time [an] • Must pay interest [k] increasing costs/expenses/cash outflows [an] • Must repay [k] • Able to obtain large/full amount [k] • May need security/collateral [k] which may not be available for a start-up / so personal assets may be at risk [an] Other methods could include: • Own savings [k] as no need to repay [an] • Borrow from friends/family [k] as may give long time to repay [an] • Overdraft [k] can arrange quickly/only pay interest when used [an] • Government grant [k] which has no interest [an] • Crowdfunding [k] but no guarantee can raise full amount [an] Other appropriate responses should be credited.	6	This is a general question so there are no marks for application. Some points analysis can be advantages and/or disadvantages for different sources but only award the same point once. For evaluation to be awarded justification will usually follow on from relevant analysis of points.

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Question	Answer	Marks	Guidance
3(e)	Justification might include: One advantage of a bank loan is it is quick to arrange [k] so does not delay plans/ability to pay bills straightaway [an]. Another source is own savings [k] because there is no need to repay [an]. A bank loan is the best source because speed means they do not miss out on the opportunity whereas it can take time to build up enough savings [eval], and by the time they do, there may be insufficient demand [eval].		

Question	Answer	Marks	Guidance
4(a)	Define ‘average cost’. Award 2 marks for a full definition. Award 1 mark for a partial definition. • Total cost divided by (total) output [2] • Total cost divided by the number of items produced/made [2] • The cost of producing a single product/unit of output [2] Partial definition e.g. • Cost divided by output [1] • Total cost divided by number of units [1]	2	

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Question	Answer	Marks	Guidance
4(b)	Calculate total variable cost per month. Show your working. Award 2 marks for a correct answer. Award 1 mark for correct method but incorrect answer. Correct answer: • \$5 million [2] • 5 million/5m [2] • 5 000 000 [2] Correct method but incorrect answer e.g. • Output $\times$ variable cost per unit [1] • 200 000 $\times$ \$25 [1] If correct answer given with no working shown award 2 marks.	2	Award only 1 mark if \$5 million is written as part of the answer but is not given as the final answer. \$ sign is not needed for 2 marks but million is. Must have correct number of zeros e.g. 500 000 [0]

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Question	Answer	Marks	Guidance
4(c)	Outline <u>two</u> external costs MHL might create when producing its products. Award 1 mark for each relevant external cost (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Loss of space/land use/deforestation [k] for the factories [app] • Pollution or examples such as smoke/fumes/noise/chemicals in the air [k] when making tyres [app] • Deplete natural resources [k] to make 200 000 units [app] • Loss of wildlife [k] in the 6 countries [app] Other appropriate responses should be credited.	4	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Tyres or examples such as rubber • Factories/factory • 6 countries • (Opportunities of) globalisation • 200 000 units (each month) • \$25 (variable cost per unit) • \$500 000 (fixed costs) Other appropriate examples can be credited. • Max 1 mark for examples of pollution.

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Question	Answer	Marks	Guidance
4(d)	Explain <u>two</u> opportunities of globalisation for MHL. Award 1 mark for identification of each relevant opportunity (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Increase potential sales/access more markets [k] for its tyres [app] increasing revenue/increase market share [an] • Cheaper/access (better quality) raw materials from other countries [k] for its factories [app] could help improve the profit margin [an] • Lower wages/cheaper labour [k] in the 6 countries [app] reducing (labour) costs [an] • Avoid/fewer quotas [k] which could limit quantity sold/able to sell [an] • Avoid/lower tariffs [k] so does not make products more expensive [an] • Access new technologies [k] which could improve efficiency/allow new product development [an] • Access to government grants (in other countries) [k] Other appropriate responses should be credited.	6	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Tyres or examples such as rubber • Factories/factory • 6 countries • 200 000 units (each month) • \$25 (variable cost per unit) • \$500000 (fixed costs) Other appropriate examples can be credited.

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Question	Answer	Marks	Guidance
4(e)	Explain <u>two</u> methods of communication a business could use to communicate with its suppliers. Which is likely to be the best method to use? Justify your answer. Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for a justified decision as to which is the best method of communication for a business to use when communicating with its suppliers. Points might include: • Email [k] can be saved for future reference [an] • Phone/telephone calls [k] as these allow for (immediate) feedback [an] • (Online) meeting [k] allows everyone to discuss points/ask questions [an] • Video conference/Zoom/Teams/Google Meet/FaceTime [k] as people do not have to travel [an] • Text/SMS/WhatsApp/WeChat/(Facebook) messenger [k] but can contain limited information [an] • Letter [k] but time consuming to write/expensive to send [an] • Websites [k] but no feedback/one way communication [an] Other appropriate responses should also be credited.	6	This is a general question so there are no marks for application. Candidates must name the method to access the knowledge mark. For evaluation to be awarded justification will usually follow on from relevant analysis of points. To access [eval], must discuss 2 valid methods of communication. Do not award answers such as written/verbal/visual as need to specify the method.

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Question	Answer	Marks	Guidance
4(e)	Justification might include: One method is a meeting [k] allows everyone to discuss points at the same time [an]. Another option is an email [k] because it is quick to send [an]. Email is a better method because it could allow the business to get the inventory it needs in a timely manner whereas the meeting could take too long to arrange [eval], and while waiting the business may have to stop production temporarily [eval].		