Past-paper walk-through

Budgets ▪ 5.5

eXercise

Questions in this set

- 9609/22 N25 Q2 ▪ 30 marks
- 9609/23 N25 Q1 ▪ 30 marks
- 9609/13 J25 Q2 ▪ 5 marks
- 9609/1 23 Q3 ▪ 5 marks

Reading the mark scheme

- **B1** a mark that stands on its own – the point is either made or not.
- **M1** a *method* mark: the right approach, even if the number is wrong.
- **A1** an *answer* mark, and it usually needs its M mark first.
- **C1** a working mark on the way to the answer.
- // separates answers the examiner accepts equally.
- **ecf** = error carried forward: a later part is marked on your own earlier answer.
- **owtte** = "or words to that effect" – the wording need not match.

Question 2

9609/22 N25 ▪ Q2 ▪ 30 marks

2 Law Advice Forum (LAF)

Drake has a law degree and works for a partnership of lawyers during the day. Drake owns a website that gives free legal advice. He works on the website in the evenings and at the weekend.

He started the website as a hobby, but the website has grown to over 20 000 users and he now sells advertising on his videos and on the website. *5*

Drake uses outsourcing for some areas of his website. He has recently been sent a report showing variances in the budget from the previous month (see Table 2.1).

Table 2.1 Budget report for Drake's website in the previous month

Question 2

	Budget	Actual
Total revenue	$4500	$4000
Total costs	$600	$750
Profit	$3900	$3250

10

Drake has now left his job and is focusing full time on the website. He rebranded the website as Law Advice Forum (LAF). Drake's business plan for LAF included:

Question 2

- Operating as a sole trader.
- Continuing to develop and expand the website to provide legal advice and paid legal services.
- Renting an office in city G where all employees would work.
- Hiring five fully qualified lawyers.
- Hiring three administrators.
- Leasing IT equipment.

However, Drake is concerned about the limitations LAF will face as a labour intensive operation.

(a) **(i)** Identify **one** external stakeholder of a business partnership. [1]

(ii) Explain the term *outsourcing*. [3]

(b) **(i)** Refer to Table 2.1. Calculate the profit variance for Drake's website in the previous month. State whether the variance is favourable or adverse. [3]

Question 2

(ii) Explain **one** way Drake could use the budget data in Table 2.1. [3]

(c) Analyse **two** possible limitations for LAF as a labour intensive operation. [8]

(d) Evaluate the most important responsibility that Drake has as the owner of LAF. [12]

Solution 2

(a)(i) Mark scheme

- Identify one external stakeholder of a business partnership.
- Responses may include:
- Knowledge of an external stakeholder of a partnership
- ▪
- Customers / consumers
- ▪
- Suppliers
- ▪

Solution 2

- Competitors
- ▪
- Government
- ▪
- Local community
- ▪
- Potential investors/owners
- ▪
- Banks
- Do not accept owners, investors or shareholders, as these are internal stakeholders.

Solution 2

- Accept all valid responses.
- 1
- 9609/22
- October/November 2025

Solution 2

(a)(ii) Mark scheme

- Explain the term outsourcing.
- AO1 Knowledge and understanding
- 1 mark
- AO2 Application
- 2 marks
- 2 marks
- Developed application of one relevant point to a
- business context.

Solution 2

- 1 mark
- Knowledge of one relevant point is used to answer the
- question.
- 1 mark
- Limited application of one relevant point to a business
- context.
- 0 marks
- No creditable response.
- 0 marks
- No creditable response.

Solution 2

- Responses may include:
- AO1 Knowledge and understanding
- Knowledge of outsourcing
- (max 1 mark), including:
- ▪
- Using another business (a third party) to undertake a business function
- ▪
- Using an external business/producer to undertake a business function
- AO2 Application
- Limited application

Solution 2

- applies knowledge of outsourcing to a business context
- Developed application
- +
- applies knowledge of outsourcing to a business context
- ▪
- Examples of an outsourcing function; manufacturing, accounting and finance, HRM etc.
- ▪
- Allow explanations of reasons for outsourcing; lack of skills, cost advantage, increasing capacity etc.
- ▪

Solution 2

- Not using the business's own resources; employees, machines etc.
- Accept all valid responses.
- 3
- 9609/22
- October/November 2025
- Exemplar and annotations
- Mark Rationale
- Another business producing for you
- . To increase capacity
- by using the other business's facilities

Solution 2

- .
- 3
- Knowledge of outsourcing, a
- reason to outsource and
- explanation of how this might
- happen.
- Using a third party to do tasks for your business
- , such as
- outsourcing HR tasks
- if they can do it cheaper

Solution 2

- .
- 3
- Knowledge of outsourcing, with an
- example of an outsourced task and
- a reason.
- Contracting another business to do a job
- such as marketing
- 2
- Knowledge of outsourcing and an
- example of an outsourced task.

Solution 2

- Using another business to do a business function
- . Drake uses
- outsourcing for some areas of his website.
- 1
- Knowledge of outsourcing. Do not
- credit copied sections from the
- case.
- Partnering with another business to sell goods.
- 0
- This is not outsourcing – this could

Solution 2

- be a distribution agreement.
- Drake uses another business for some areas of his website, such
- as keeping it up to date.
- 0
- No knowledge of outsourcing. Do
- not credit copying of the case
- material.
- 9609/22
- October/November 2025

Solution 2

(b)(i) Mark scheme

- Refer to Table 2.1. Calculate the profit variance for Drake's website in the previous month. State whether the
- variance is favourable or adverse.
- Formula:
- Actual – Budget = Variance (1) OR Budget – Actual 1
- Calculation:
- Variance = \$3250 – \$3900 = \$650 1
- Adverse (1) – only award if this is evidenced by the working/answer

Solution 2

- Ans = \$650 adverse (3 marks)
- Accept 16.67% (must include % sign and be correctly rounded, i.e. 17%, 16.7% etc.) adverse as a correct answer
- Examples and annotations
- Rationale
- 3 marks
- Correct answer
- \$650 adverse
- Accept 16.67% adverse
- Working and \$ do not matter.

Solution 2

- Award one
- to denote the three marks.
- Do not award the minus sign as adverse.
- 2 marks
- ▪
- A correct answer with incorrect or
- missing variance (650)
- To award two marks, there must be
- ▪
- Two

Solution 2

- and a
- OR
- ▪
- One
- , one
- and one
- 1 mark
- One of the following:
- ▪
- Correct formula (can be implied)

Solution 2

- To award one mark, there must be:
- ▪
- One
- and two
- 0 marks
- No creditable content.
- To award zero marks, there must be
- ▪
- One
- 9609/22

Solution 2

- October/November 2025

Solution 2

(b)(ii) Mark scheme

- Explain one way Drake could use the budget data in Table 2.1.
- AO1 Knowledge and understanding
- 1 mark
- AO2 Application
- 2 marks
- 2 marks
- Developed application of one relevant point to a
- business context.

Solution 2

- 1 mark
- Knowledge of one relevant point is used to answer the
- question.
- 1 mark
- Limited application of one relevant point to a business
- context.
- 0 marks
- No creditable response.
- 0 marks
- No creditable response.

Solution 2

- Responses may include:
- AO1 Knowledge and understanding
- Identification of a way to use budget data
- (max 1 mark), including:
- ▪
- measuring performance
- ▪
- allocating resources
- ▪
- controlling

Solution 2

- ▪
- monitoring a business
- ▪
- decision making (or examples of decision making, e.g. pricing, costing)
- ▪
- planning.
- AO2 Application
- Explanation of a way to use budget data
- (max 1 mark), including:
- ▪

Solution 2

- measuring performance; by comparing actual data with budgeted data
- ▪
- allocating resources; by allocating more budget to priorities
- ▪
- controlling; by allocating less budget to low priority functions
- ▪
- monitoring a business; to see areas of a business with greater variances.
- 3
- 9609/22
- October/November 2025

Solution 2

- Context applied to Drake/LAF
- (max 1 mark), including:
- ▪
- Drake ran his website in the weekends and evenings
- ▪
- Drake gave free legal advice
- ▪
- LAF still provides free legal advice but paid legal services
- ▪
- Drake was the only internal stakeholder of his website

Solution 2

- ▪
- Drake uses outsourcing
- ▪
- Use of data in Table 2.1
- ▪
- Drake has expanded LAF
- ▪
- Will employ five lawyers
- ▪
- Will employ three administrators

Solution 2

- ▪
- Labour intensive business
- ▪
- Sole trader
- Accept all valid responses.
- Exemplar and annotations
- Mark Rationale
- To identify variances
- of areas where LAF is overspending
- leading to the adverse profit variance of $650

Solution 2

- .
- 3
- A way identified, explained and in
- context, so all 3 marks.
- To monitor the business
- to decide if Drake should continue
- outsourcing
- .
- 2
- A way identified, and in context for

Solution 2

- Drake/LAF.
- To know how much money is left
- 1
- Identification of a way.
- To grow the business
- 0
- No specific way identified.
- 9609/22
- October/November 2025

Solution 2

(c) Mark scheme

- Analyse two possible limitations for LAF as a labour intensive operation.
- Level
- AO1 Knowledge and
- understanding
- 2 marks
- AO2 Application
- 2 marks
- AO3 Analysis

Solution 2

- 4 marks
- 2
- 3–4 marks
- Developed analysis
- ▪
- Developed analysis that
- identifies connections
- between causes, impacts
- and/or consequences of
- two points.

Solution 2

- ▪
- Developed analysis that
- identifies connections
- between causes, impacts
- and/or consequences of
- one point.
- 1
- 1–2 marks
- ▪
- Knowledge of two relevant

Solution 2

- points is used to answer the
- question.
- ▪
- Knowledge of one relevant
- point is used to answer the
- question.
- 1–2 marks
- ▪
- Application of two relevant
- points to a business

Solution 2

- context.
- ▪
- Application of one relevant
- point to a business context.
- 1–2 marks
- Limited analysis
- ▪
- Limited analysis that
- identifies connections
- between causes, impacts

Solution 2

- and/or consequences of
- two points.
- ▪
- Limited analysis that
- identifies connections
- between causes, impacts
- and/or consequences of
- one point.
- 8
- 9609/22

Solution 2

- October/November 2025
- Level
- AO1 Knowledge and
- understanding
- 2 marks
- AO2 Application
- 2 marks
- AO3 Analysis
- 4 marks
- 0

Solution 2

- 0 marks
- No creditable response.
- 0 marks
- No creditable response.
- 0 marks
- No creditable response.
- Annotate the first reason in the left-hand margin and the second reason in the right-hand margin
- Answers must be about the limitations of operating as a labour intensive business, not simply the limitations of
- managing/having labour.

Solution 2

- Responses may include:
- AO1 Knowledge and understanding
- Identification of a limitation of operating as a labour intensive operations
- , including:
- ▪
- High labour cost
- ▪
- Ongoing costs of labour (wages, salary, health care, training, induction etc.)
- ▪
- Inconsistent quality – human error

Solution 2

- ▪
- Labour relations problems
- ▪
- Potential shortage of skilled employees
- ▪
- Slower production
- 9609/22
- October/November 2025
- AO2 Application
- Application of the advantage to LAF

Solution 2

- , including:
- ▪
- Drake ran his website in the weekends and evenings
- ▪
- Drake gave free legal advice
- ▪
- LAF still provides free legal advice but paid legal services
- ▪
- Drake was the only internal stakeholder of his website
- ▪

Solution 2

- Drake uses outsourcing
- ▪
- Use of data in Table 2.1
- ▪
- Drake has expanded LAF
- ▪
- Will employ five lawyers
- ▪
- Will employ three administrators
- ▪

Solution 2

- Developed a business plan
- ▪
- All employees would work in the same office in city G
- ▪
- Employees will need to be able to use IT equipment
- ▪
- Sole trader
- AO3 Analysis
- Limited analysis of a limitation of operating as a labour intensive business
- – developed analysis

Solution 2

- , including:
- ▪
- High labour cost: increasing the pressure on the business to increase revenue – so that it does not make a loss.
- ▪
- Ongoing costs of labour (wages, salary, health care etc.); which may make the business unprofitable – leading to
- bankruptcy.
- ▪
- Inconsistent quality: leading to customer dissatisfaction and being sued in court – increasing business costs.

Solution 2

- ▪
- Labour relations problems: workers may not get on together leading to high labour turnover – which may increase the
- business costs of recruitment and training and reduce profit / lead to loss.
- ▪
- Potential shortage of skilled employees; so, the business is unable to meet demand and loses sales – reduced
- profitability.
- Accept all valid responses.
- 9609/22
- October/November 2025

Solution 2

- Exemplar and annotations
- AO1 Knowledge
- AO2 Application
- AO3 Analysis
- High wage costs
- ,
- of the five lawyers
- ,
- Which will increase the total costs of
- the business

Solution 2

- leading to lower
- profit
- .
- A slower service
- .
- Because LAF will be using five
- human lawyers
- ,
- Which may reduce demand for LAF's
- services

Solution 2

- and therefore decrease
- the profit
- .
- 9609/22
- October/November 2025

Solution 2

(d) Mark scheme

- Evaluate the most important responsibility that Drake has as the owner of LAF.
- Level
- AO1 Knowledge
- and understanding
- 2 marks
- AO2 Application
- 2 marks
- AO3 Analysis

Solution 2

- 2 marks
- AO4 Evaluation
- 6 marks
- 3
- 5–6 marks
- Developed evaluation in
- context
- ▪
- A developed
- judgement/conclusion is

Solution 2

- made in the business
- context.
-
- Developed evaluative
- comments which balance
- some key arguments in
- the business context.
- 2
- 2 marks
- Developed

Solution 2

- 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

Solution 2

- context.
- 2 marks
- Developed analysis
- that identifies
- connections
- between causes,
- impacts and/or
- consequences.
- 3–4 marks
- Developed evaluation

Solution 2

- ▪
- A developed
- judgement/conclusion is
- made.
- ▪
- Developed evaluative
- comments which balance
- some key arguments.
- ▪
- 12

Solution 2

- 9609/22
- October/November 2025
- Level
- AO1 Knowledge
- and understanding
- 2 marks
- AO2 Application
- 2 marks
- AO3 Analysis
- 2 marks

Solution 2

- AO4 Evaluation
- 6 marks
- 1
- 1 mark
- Limited knowledge
- of relevant key
- term(s) and/or
- factor(s) is used to
- answer the question.
- 1 mark

Solution 2

- Limited application
- of relevant point(s)
- to the business
- context.
- 1 mark
- Limited analysis
- that identifies
- connections
- between causes,
- impacts and/or

Solution 2

- consequences.
- 1–2 marks
- Limited evaluation
- ▪
- A judgement/conclusion
- is made with limited
- supporting
- comment/evidence.
- ▪
- An attempt is made to

Solution 2

- balance the arguments.
- 0
- 0 marks
- No creditable
- response.
- 0 marks
- No creditable
- response.
- 0 marks
- No creditable

Solution 2

- response.
- 0 marks
- No creditable response.
- Responsibility is the duty or state of being accountable for something, meaning Drake has the obligation to take care of it or
- to ensure this is done.
- Do not reward characteristics/qualities of an entrepreneur – it must be something that an owner/manager is responsible for
- in a business.
- 9609/22
- October/November 2025

Solution 2

- Responses may include:
- AO1 Knowledge and understanding
- Knowledge of owner responsibilities
- (max 2 marks), including:
- ▪
- To create a business plan
- ▪
- To develop aims, objectives, strategy and tactics
- ▪
- To keep track of finances and accounting

Solution 2

- To manage marketing and sales
- To make sure the business is operating legally and compliantly
- Ensure excellent customer service
- To employ and co-ordinate human resources
- Manage day-to-day operations

Solution 2

- ▪
- Plan new initiatives
- ▪
- To train the employees
- ▪
- To facilitate operations
- ▪
- To oversee purchasing
- AO2 Application
- Application to Drake/LAF

Solution 2

- , including:
- ▪
- Drake ran his website in the weekends and evenings
- ▪
- Drake gave free legal advice
- ▪
- LAF still provides free legal advice but paid legal services
- ▪
- Drake was the only internal stakeholder of his website
- ▪

Solution 2

- Drake uses outsourcing
- ▪
- Use of data in Table 2.1
- ▪
- Drake has expanded LAF
- ▪
- Will employ five lawyers
- ▪
- Will employ three administrators
- ▪

Solution 2

- Labour intensive business
- ▪
- Developed a business plan
- ▪
- All employees would work in the same office in city G
- ▪
- Employees will need to be able to use IT equipment
- ▪
- Sole trader.
- 9609/22

Solution 2

- October/November 2025
- AO3 Analysis
- Limited analysis of owner responsibilities
- – developed analysis
- , including:
- ▪
- To create a business plan; to give the business direction so that it can operate efficiently – reduce costs / increase
- revenue.
- ▪

Solution 2

- To develop aims, objectives, strategy and tactics – to give the business direction so that it can operate efficiently –
- reduce costs / increase revenue.
- ▪
- To keep track of finances and accounting; so that the business does not go into debt – and go bankrupt.
- ▪
- To manage marketing and sales; so that the business can gain revenue – to increase profit.
- ▪

Solution 2

- To make sure the business is operating legally and compliantly; so that the business is not sued – which could
- increase the costs.
- ▪
- Ensure excellent customer service; so that customers return – increasing revenue.
- ▪
- To employ and co-ordinate human resources; so that the business can operate efficiently – reducing costs and
- increasing profitability.
- ▪

Solution 2

- Manage day-to-day operations; to enable to business to meet its customers' needs – increasing revenue and repeat
- purchases.
- ▪
- Plan new initiatives; to expand the business – increasing revenue.
- ▪
- To train the employees; to increase customer satisfaction – increasing profit.
- ▪
- To facilitate operations; to enable revenue to be created – increasing profitability.
- ▪

Solution 2

- To oversee purchasing; to enable efficient operations – reducing average costs and increasing profitability.
- AO4 Evaluation
- Limited evaluation of the most important owner responsibility
- – developed
- – developed in context
- , including:
- ▪
- A judgement of the most important responsibility of Drake as the owner of LAF.
- ▪

Solution 2

- What the judgement may depend upon; Drake's own objectives/skills, the likely success of LAF as it expands, the
- finances available to Drake etc.
- ▪
- It is unknown what the legal structure of LAF is – as a shareholder, Drake would have different responsibilities than a
- sole trader.
- ▪
- Whether Drake is able to expand LAF as he plans to – his responsibilities as a 'one-person' business are different than
- his responsibilities as LAF grows and employs more people.

Solution 2

- ▪
- The type of legal advice that Drake may be providing and the laws pertaining to legal advice in the countries where
- LAF operates.
- ▪
- A judgement about the importance of one responsibility or a weighing up of the comparative importance of more than
- one responsibility.
- Accept all valid responses
- 9609/22
- October/November 2025

Solution 2

- Exemplars for awarding evaluation
- Evaluate the most important responsibility that Drake has as the owner of LAF.
- L1
- (limited supporting
- evidence)
- L2
- (developed supporting
- evidence)
- L3
- (developed supporting

Solution 2

- evidence with context)
- The most important responsibility is
- to pay the lawyers.
- The most important responsibility is
- to pay the lawyers because without
- them, the business has no service
- to provide and will go bankrupt.
- The most important responsibility is
- to pay the five lawyers because
- without them, the business has no

Solution 2

- service to provide and will go
- bankrupt.
- The most important depends on the
- size of the business.
- The most important depends on the
- size of the business. As a small
- business, Drake might need to
- focus on making sure there is
- enough finance. When the
- business grows, this might change

Solution 2

- to customer satisfaction.
- The most important depends on the
- size of the business. As a sole
- trader, Drake might need to focus
- on making sure there is enough
- finance. When the business grows,
- this might change to customer
- satisfaction.

Question 1

9609/23 N25 ▪ Q1 ▪ 30 marks

1 Solar Farms (SF)

SF is a private limited company that develops and maintains large-scale solar farms in country X. SF operates as a capital intensive business.

Bob is an entrepreneur and the majority shareholder of SF. He invested into SF's first solar farm. SF took out high-interest bank loans to cover initial cash flow problems and provide working capital. SF used internal (organic) growth over the next 10 years.

SF rents fields from farmers. Its main capital expenditure is solar panels, which are installed on the rented fields. The solar panels generate electricity, which SF sells to energy providers. Solar panel technology is constantly improving.

SF operates five solar farms in country X. A team of seven engineers maintain all of SF's solar farms.

Question 1

Table 1.1 shows SF's budgeted and actual data for 2024.

Table 1.1 SF's annual budgeted and actual data for 2024

	Budget ($m)	Actual ($m)
Revenue	5	4
Total costs	3	3.75
Profit	2	0.25

Bob has identified that SF can increase its revenue by using batteries to store electricity generated by the solar panels. This electricity can then be sold at peak times for premium prices. This will require significant investment into battery technology.

Question 1

Bob wants to retain control of SF but is concerned about the investment required for further growth. In 2024 the cost of renting new farmland and purchasing solar panels increased significantly.

ZB is a multinational battery manufacturer that is keen to start a joint venture with SF. If the joint venture goes ahead, ZB will insist that SF uses ZB batteries in all future solar farms.

(a) **(i)** Identify **one** quality an entrepreneur needs for success. [1]

(ii) Explain the term *working capital*. [3]

(b) **(i)** Refer to Table 1.1. Calculate the profit variance for SF in 2024. State whether the variance is favourable or adverse. [3]

(ii) Explain **one** drawback to SF of using budgets. [3]

Question 1

(c) Analyse **two** limitations to SF of operating as a capital intensive business. [8]

(d) Evaluate whether a joint venture is the most appropriate way for SF to grow. [12]

Solution 1

(a)(i) Mark scheme

- Identify one quality an entrepreneur needs for success.
- Indicative content
- Identification of a quality
- may include:
- ▪
- Ambitious / inner drive
- ▪
- Risk taker

Solution 1

- ▪
- Confident
- ▪
- Inquisitive
- ▪
- Adaptability / flexible
- ▪
- Resilience / persistence / determination
- ▪
- Innovative / creative

Solution 1

- ▪
- Communication
- ▪
- Leadership
- ▪
- Decision making
- ▪
- Builds trust
- If more than one answer is given, only mark the first, reading from top left to bottom right.

Solution 1

- Accept all valid responses.
- 1
- 9609/23
- October/November 2025

Solution 1

(a)(ii) Mark scheme

- Explain the term working capital.
- AO1 Knowledge and understanding
- 1 mark
- AO2 Application
- 2 marks
- 2 marks
- Developed application of one relevant point to a business
- context.

Solution 1

- 1 mark
- Knowledge of one relevant point is used to answer the
- question.
- 1 mark
- Limited application of one relevant point to a business
- context.
- 0 marks
- No creditable response.
- 0 marks
- No creditable response.

Solution 1

- Indicative content
- AO1 Knowledge and understanding
- Knowledge of working capital
- will include (max 1 mark):
- ▪
- Current assets minus current liabilities
- ▪
- Money / cash / funds / finance (to run the business)
- ▪
- Ability to run the business

Solution 1

- ▪
- Day-to-day / general operations / current / short-term / immediate / trading
- 9609/23
- October/November 2025
- AO2 Application
- Limited application
- applies knowledge of working capital to a business context.
- Developed application
- $+$
- applies knowledge of working capital to a business context.

Solution 1

- ▪
- Examples of short-term financial commitments, e.g. stock, salaries, utilities, suppliers, debts, financial obligations, bills
- etc.
- ▪
- Reference to current ratio and/or acid test ratio (ideals of 2:1 or 1:1)
- ▪
- Benefit of maintaining sufficient working capital, e.g. survival, avoid liquidation
- ▪
- Ways to improve working capital, e.g. use of a bank overdraft

Solution 1

- ▪
- Managing trade receivables, e.g. stopping/reducing trade credit to customers, debt factoring
- ▪
- Managing trade payables, e.g. taking/prolonging trade credit from suppliers
- ▪
- Example from a business concept
- Accept all valid responses.
- Exemplar and annotations
- Mark

Solution 1

- Rationale
- The ability to pay short-term financial obligations
- such as
- high interest on bank loans
- and avoid liquidation
- 3
- An answer which starts with the knowledge
- and then applies it to SF (case mentions
- high-interest bank loans). Avoid liquidation
- (survival) is the second application.

Solution 1

- Cash needed
- to fund the day-to-day operations
- such
- as paying staff salaries
- .
- 3
- Again, knowledge first, followed by
- application to business operations (day to
- day) and includes an example (salaries).
- Current assets minus current liabilities

Solution 1

- to measure the
- ability to pay day-to-day bills
- 2
- Knowledge and explanation for one
- application mark.
- It is a measure of the cash needed to operate
- .
- 1
- Not a perfect definition, but enough to
- award the knowledge mark. No attempt to

Solution 1

- apply.
- The capital the business needs to work.
- 0
- No knowledge of working capital.
- Tautological.
- 9609/23
- October/November 2025

Solution 1

(b)(i) Mark scheme

- Refer to Table 1.1. Calculate the profit variance for SF in 2024. State whether the variance is favourable or adverse.
- Indicative content
- Profit variance = actual profit–budgeted profit (1 mark – formula only)
- Profit variance = 250 000–2 000 000 (1 mark – use of correct figures in formula)
- Profit variance = ($) 1 750 000 adverse variance (1 mark – correct answer (must include adverse))

Solution 1

- Answer $=$ $()1\ 750\ 000 \mathit{adversevariance}/1.75\ \mathit{madversevariance}(3\mathit{marks}–\mathit{correctanswernoworkingor}$ needed)
- must include adverse
- OFR applies
- 3
- 9609/23
- October/November 2025
- Exemplar and annotations
- 3 marks
- Correct answer 3

Solution 1

- $()1\ 750\ 000$*adverseor*$()$1.75 m adverse
- Working and \$ and m do not matter.
- Ignore $+$ or -
- ▪
- Must be three
- to denote the
- three marks.
- 2 marks
- EITHER
- ▪

Solution 1

- Correct formula AND
- ▪
- Correct identification of figures
- OR
- ▪
- An incorrect answer with one mistake
- allowing OFR for final stage. Must have the
- correct variance stated for the answer given.
- OR
- ▪

Solution 1

- A correct variance (1.75 m) with no adverse
- (or incorrectly states favourable)
- To award two marks, there must be
- ▪
- Two
- and a
- OR
- ▪
- One
- , one

Solution 1

- and one
- 1 mark
- One of the following:
- ▪
- Correct formula
- ▪
- Correct identification of figures in an incorrect
- formula
- To award one mark, there must be:
- ▪

Solution 1

- One
- and two
- 0 marks
- No creditable content.
- To award zero marks, there must be
- ▪
- One
- 9609/23
- October/November 2025

Solution 1

(b)(ii) Mark scheme

- Explain one drawback to SF of using budgets.
- AO1 Knowledge and understanding
- 1 mark
- AO2 Application
- 2 marks
- 2 marks
- Developed application of one relevant point to a
- business context.

Solution 1

- 1 mark
- Knowledge of one relevant point is used to answer the
- question.
- 1 mark
- Limited application of one relevant point to a business
- context.
- 0 marks
- No creditable response.
- 0 marks
- No creditable response.

Solution 1

- Indicative content
- AO1 Knowledge and understanding
- Knowledge of a drawback of budgets
- (max. 1 mark), including:
- ▪
- Only as good as the figures used
- ▪
- Do not take into account actual market conditions / external factors
- ▪
- Ignores qualitative factors

Solution 1

- ▪
- Can be manipulated to show desired rather than realistic outcomes / bias
- ▪
- Time consuming to research / predict data
- ▪
- Can hinder flexibility / innovation
- ▪
- Less accurate in unstable times / long-term predictions
- ▪
- Risk of internal conflict / managers competing for resources

Solution 1

- 3
- 9609/23
- October/November 2025
- AO2 Application
- Explanation of a drawback of budgets
- (max 1 mark), including:
- ▪
- Only as good as the figures used–inaccurate data may lead to poor decision making
- ▪

Solution 1

- Do not take into account actual market conditions–competitiveness
- ▪
- Ignores qualitative factors–such as new managers/leaders/competitors
- ▪
- Can be manipulated to show desired rather than realistic outcomes – biased
- ▪
- Time consuming to research / predict data–opportunity cost of lost time which could be spent on more profitable tasks
- ▪
- Can hinder flexibility–missed opportunities to increase market share / differentiate

Solution 1

- Less accurate in unstable times / long-term predictions–more suited to the short-term
- Risk of internal conflict / managers competing for resources–hindering teamworking
- Context applied to SF
- (max 1 mark), including:
- Private limited company

Solution 1

- Capital intensive business
- ▪
- Bob is majority shareholder of SF
- ▪
- Used internal (organic) growth
- ▪
- The use of high interest loans to cover initial cashflow problems
- ▪
- Rents fields from farmers
- ▪

Solution 1

- Cost of maintenance team / 7 engineers salaries
- ▪
- Data from Table 1.1
- ▪
- Can increase revenue by using batteries to store electricity generated by solar panels
- ▪
- Can sell electricity at peak times for premium prices
- ▪
- Needs investment into battery technology

Solution 1

- ▪
- Bob wants to retain control of SF
- ▪
- Cost of renting new farmland and purchasing solar panels increased significantly in 2024
- ▪
- ZB is a multinational battery manufacturer
- ▪
- ZB wants to start a joint venture with SF
- ▪

Solution 1

- ZB will insist that SF uses ZB batteries in all future solar farms if joint venture goes ahead
- Accept all valid responses.
- 9609/23
- October/November 2025
- Exemplar and annotations
- Mark
- Rationale
- A drawback is that the use of a budget is only as good as the
- figures used

Solution 1

- , which could lead to inappropriate decisions
- regarding SF's five solar farms
- .
- 3
- Accurate of data is a reasonable
- drawback, explained in the specific
- context of SF by using data from the
- context.
- Budgeted figures are less accurate in the long-term
- , as

Solution 1

- conditions are more likely to change which could affect SF's plans
- to form a joint venture
- .
- 3
- Reduction in accuracy over the long
- term
- which could affect the
- business's plans
- . This answer is
- then applied to SF for three marks in

Solution 1

- total.
- Future opportunities may be missed
- as budgets may hinder
- flexibility
- such as using batteries to store electricity
- .
- 3
- Although the
- appears first, it cannot
- be awarded until the

Solution 1

- has been found.
- However, there is obvious
- , so you
- can go back and award the
- .
- The budget ignores qualitative factors
- such as new
- competitors who may affect future sales
- .
- 2

Solution 1

- Ignoring qualitative factors is
- . The
- answer includes a relevant example
- which is used to explain the drawback
- , but only one mark as no application
- to SF's context.
- It is time consuming to forecast data to produce the budget
- . 1
- Time consuming is a relevant drawback
- for

Solution 1

- , but it hasn't been explained.
- SF has taken out high-interest bank loans to cover initial cash flow
- problems and so needs to use budgets
- .
- 0
- Although there is some relevant context,
- there is no knowledge of a drawback to
- SF of using budgets, so no marks can
- be awarded.
- 9609/23

Solution 1

- October/November 2025

Solution 1

(c) Mark scheme

- Analyse two limitations to SF of operating as a capital-intensive business.
- Level
- AO1 Knowledge and
- understanding
- 2 marks
- AO2 Application
- 2 marks
- AO3 Analysis

Solution 1

- 4 marks
- 2
- 3–4 marks
- Developed analysis
- ▪ Developed analysis that identifies connections
- between causes, impacts and/or consequences of
- two points.
- ▪ Developed analysis that identifies connections
- between causes, impacts and/or consequences of
- one point.

Solution 1

- 1
- 1–2 marks
- ▪
- Knowledge of two
- relevant points is
- used to answer the
- question.
- ▪
- Knowledge of one
- relevant point is

Solution 1

- used to answer the
- question.
- 1–2 marks
- ▪
- Application of two
- relevant points to a
- business context.
- ▪
- Application of one
- relevant point to a

Solution 1

- business context.
- 1–2 marks
- Limited analysis
- - Limited analysis that identifies connections
- between causes, impacts and/or consequences of
- two points.
- - Limited analysis that identifies connections
- between causes, impacts and/or consequences of
- one point.
- 0

Solution 1

- 0 marks
- No creditable response.
- 0 marks
- No creditable response.
- 0 marks
- No creditable response.
- Limitation 1 in the left-hand side column, Limitation 2 in the right-hand side column
- 8
- 9609/23

Solution 1

- October/November 2025
- Indicative content
- AO1 Knowledge and understanding
- Knowledge of limitations of investing into capital intensive operations (max 2
- s), including:
- ▪
- High cost / expensive
- ▪
- Cost of financing
- ▪

Solution 1

- High maintenance costs
- ▪
- The need for skilled workers for maintenance
- ▪
- Need to train workers to use / maintain the capital equipment
- ▪
- The quick pace of technological change
- ▪
- Obsolescence of equipment
- ▪

Solution 1

- Reliance on machines that might break-down
-
    -
- Reduced employee motivation due to repetitive work
-
    -
- Lack of flexibility
- AO2 Application
- Max one
- for application in the first limitation and max one
- for application in the second limitation

Solution 1

- Application of the limitation of investing into capital intensive operations for SF (max 2
- s), including:
- ▪
- Private limited company
- ▪
- Bob is majority shareholder of SF
- ▪
- Used internal (organic) growth
- ▪

Solution 1

- The use of high interest loans to cover initial cashflow problems
- ▪
- Rents fields from farmers
- ▪
- Cost of maintenance team / 7 engineers salaries
- ▪
- Data from Table 1.1
- ▪
- Can increase revenue by using batteries to store electricity generated by solar panels

Solution 1

- ▪
- Can sell electricity at peak times for premium prices
- ▪
- Needs investment into battery technology
- ▪
- Bob wants to retain control of SF
- ▪
- Cost of renting new farmland and purchasing solar panels increased significantly in 2024
- ▪

Solution 1

- ZB is a multinational battery manufacturer
- ▪
- ZB wants to start a joint venture with SF
- ▪
- ZB will insist that SF uses ZB batteries in all future solar farms if joint venture goes ahead
- 9609/23
- October/November 2025
- AO3 Analysis
- Limited analysis

Solution 1

- – candidate shows one link in the chain of analysis.
- Developed analysis
- candidate shows two or more links in the chain of analysis or a two-sided analysis.
- Limitations
- ▪
- High fixed costs–[the 25% increase in solar panels] may require unplanned sources of possibly expensive finance–may
- reduce capital for future investment
- ▪
- Cost of financing the equipment–high interest payments will increase expenses–reducing profits

Solution 1

- ▪
- High maintenance costs–increase cash outflows–threaten liquidity/survival
- ▪
- Need for skilled maintenance staff–[7 engineers] may require above average wages to travel across country X–add to
- fixed costs and reduce profitability
- ▪
- Solar panels may be inefficient in 10 years compared to newest products–higher costs of operation in comparison to
- competition – make SF less competitive
- ▪

Solution 1

- Need to train workers to use the machinery / capital equipment–cost of training–reduced profits
- ▪
- The quick pace of technological change–need to purchase upgraded machinery to maintain competitiveness–high cost
- ▪
- Obsolescence of equipment–competitors may have newer equipment giving them a competitive advantage–reduced
- market share
- ▪

Solution 1

- Reliance on machines that might break down–disruption / delays to production–dissatisfied customers
- ▪
- Reduced employee motivation due to repetitive work–reducing efficiency–reducing profitability
- ▪
- Lack of flexibility–production stopped whilst machines are reset to produce different products–inefficiency
- Accept all valid responses.
- Exemplar and annotations
- AO1 Knowledge

Solution 1

- AO2 Application
- AO3 Analysis
- The high costs of initial investment
- Which could hinder Bob's wish to
- retain control
- As decisions will need to be shared as
- part of the joint venture
- but it is a
- way of generating the additional
- finance needed

Solution 1

- .
- Obsolescence of fixed assets
- Which could lead to profit reducing to
- below $0.25 m
- May lead to increased costs each
- year to update the fixed assets
- and make SF less profitable
- .
- 9609/23
- October/November 2025

Solution 1

(d) Mark scheme

- Evaluate whether a joint venture is the most appropriate way for SF to grow.
- Level
- AO1 Knowledge
- and understanding
- 2 marks
- AO2 Application
- 2 marks
- AO3 Analysis

Solution 1

- 2 marks
- AO4 Evaluation
- 6 marks
- 3
- 5–6 marks
- Developed evaluation in context
- ▪
- A developed judgement/conclusion
- is made in the business context.
- ▪

Solution 1

- 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

Solution 1

- question.
- 2 marks
- Developed
- application of
- relevant point(s) to
- the business
- context.
- 2 marks
- Developed analysis
- that identifies

Solution 1

- connections
- between causes,
- impacts and/or
- consequences.
- 3–4 marks
- Developed evaluation
- ▪
- A developed judgement/conclusion
- is made.
- ▪

Solution 1

- 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

Solution 1

- Limited application
- of relevant point(s)
- to the business
- context.
- 1 mark
- Limited analysis
- that identifies
- connections
- between causes,
- impacts and/or

Solution 1

- consequences.
- 1–2 marks
- Limited evaluation
- ▪
- A judgement/conclusion is made
- with limited supporting
- comment/evidence.
- ▪
- An attempt is made to balance the
- arguments.

Solution 1

- 0
- 0 marks
- No creditable
- response.
- 0 marks
- No creditable
- response.
- 0 marks
- No creditable
- response.

Solution 1

- 0 marks
- No creditable response.
- 12
- 9609/23
- October/November 2025
- Indicative content
- AO1 Knowledge and understanding
- Knowledge of joint ventures (max 2
- s), may include:
- ▪

Solution 1

- Two (or more) parties
- Work towards a shared task/objective
- Maintain distinct identities
- Can be equity or non-equity based
- Shared profits/losses/responsibilities

Solution 1

- Pool resources/skills/experience/capabilities
- AO2 Application
- Limited application
- applies knowledge of growth to SF once
- Developed application
- +
- applies knowledge of growth to SF twice.
- ▪
- Private limited company
- ▪

Solution 1

- Capital intensive business
- Bob is majority shareholder of SF
- Used internal (organic) growth
- The use of high interest loans to cover initial cashflow problems
- Rents fields from farmers

Solution 1

- Cost of maintenance team / 7 engineers salaries
- ▪
- Data from Table 1.1
- ▪
- Can increase revenue by using batteries to store electricity generated by solar panels
- ▪
- Can sell electricity at peak times for premium prices
- ▪
- Needs investment into battery technology

Solution 1

- ▪
- Bob wants to retain control of SF
- ▪
- Cost of renting new farmland and purchasing solar panels increased significantly in 2024
- ▪
- ZB is a multinational battery manufacturer
- ▪
- ZB will insist that SF uses ZB batteries in all future solar farms if joint venture goes ahead
- 9609/23

Solution 1

- October/November 2025
- AO3 Analysis
- Limited analysis
- – candidate shows one link in the chain of analysis.
- Developed analysis
- – candidate shows two or more links in the chain of analysis.
- Is appropriate
- ▪
- Pool resources/skills/experience/capabilities–increased efficiency–improving overall profitability

Solution 1

- ▪
- Fast growth–generates more finance–less risk/cost of borrowing / interest
- ▪
- Maintain distinct identities–maintain brand/business name and reputation–support future growth
- Is not appropriate
- ▪
- Share profit/losses–lower profit than if worked on project alone–reduced funds for future growth
- ▪

Solution 1

- Loss of control of operations–may have to change aims and objectives–affecting decision making
- ▪
- Condition of joint venture if that SF uses ZB batteries–may not be the most appropriate type of battery–increase long
- term costs / decrease long term profit potential
- AO4 Evaluation
- Limited evaluation – an unsupported judgement and/or weak attempt at an evaluative comment
- Developed evaluation–supported judgement and/or reasonable evaluative comment

Solution 1

- Developed evaluation in context–supported judgement in context and/or reasonable evaluative comment in context
- .
- ▪
- Relative importance of control–are other issues more important, e.g. market share, economies of scale, specific
- industry/technology experience, ability to source batteries by SF
- ▪
- Choice depends on SF/Bob's long-term goals. Does he want to remain in sole control, does Bob want a partner to
- share the workload/risk.

Solution 1

- ▪
- Comparison with other ways to grow, e.g. merger.
- ▪
- The impact of external influences
- ▪
- Choice of partner
- ▪
- A judgement on whether a joint venture is the most appropriate way for SF to grow
- Accept all valid responses.

Solution 1

- 9609/23
- October/November 2025
- Exemplars for awarding evaluation
- L1
- (limited supporting
- evidence)
- L2
- (developed supporting
- evidence)
- L3

Solution 1

- (developed supporting
- evidence with context)
- A joint venture is the best way for SF
- to grow.
- A joint venture is the best way for SF
- to grow. It will help Bob to quickly
- generate the extra capital needed to
- buy the battery technology.
- A joint venture is the best way for SF
- to grow. It will help Bob to quickly

Solution 1

- generate the extra capital needed to
- buy the battery technology, and
- increase profitability by selling
- electricity at peak times for premium
- prices.
- A joint venture is not the best way for
- SF to grow.
- A joint venture is not the best way for
- SF to grow. Bob will lose the ability to
- make the key decisions.

Solution 1

- A joint venture is not the best way for
- SF to grow. Bob will lose the ability to
- make the key decisions. Bob can
- retain control of SF as he wishes.
- 9609/23
- October/November 2025

Question 2

9609/13 J25 ▪ Q2 ▪ 5 marks

2 **(a)** Define the term *incremental budgets*. [2]

(b) Explain **one** advantage to a business of using variance analysis. [3]

Solution 2

(a) Mark scheme

- Define the term incremental budgets.
- Indicative content
- AO1 Knowledge and understanding
- Clear understanding
- ▪
- Incremental budgeting is a budgeting process that involves developing a budget by making adjustments/changes to an
- existing or previous budget (2)

Solution 2

- Partial understanding
- ▪
- Setting this year's budget based on last year's budget 1
- Accept all valid responses.
- 2
- 9609/13
- May/June 2025

Solution 2

(b) Mark scheme

- Explain one advantage to a business of using variance analysis
- There are 3 marks for this question:
- 1 mark for
- 2 marks for
- Indicative content
- Responses may include:
- AO1 Knowledge and understanding
- 1 mark

Solution 2

- for identifying one advantage of using variance analysis
- ▪
- Gives a business more control
- ▪
- Clarifies accountability in a business
- ▪
- Improves accuracy of budgets
- ▪
- Improves financial decision making
- ▪

Solution 2

- Identifies areas for improvement.
- ▪
- Allows business to compare their estimated costs with their actual costs
- ▪
- Allows planning
- ▪
- Shows how to allocate resources
- ▪
- More effective strategy
- 3

Solution 2

- 9609/13
- May/June 2025
- AO2 Application
- 2 marks for developed
- of the advantage given
- 1 mark for limited
- of the advantage given
- ▪
- Highlights areas of business needing attention
- ▪

Solution 2

- Helps in assessing management performance
- ▪
- Identifies potential problems early
- ▪
- Helps to monitor financial performance
- ▪
- Helps a business to budget more accurately in the future
- ▪
- Helps managers to respond to adverse or favourable variances
- ▪

Solution 2

- Identifies areas of over/under spending and spending not authorised
- ▪
- May lead to improved business efficiency
- ▪
- Helps to monitor success and failure
- ▪
- Helps to identify areas of underperformance
- ▪
- Helps strategic decisions/better planning
- ▪

Solution 2

- Provides fast financial information
- Accept all valid responses.
- 9609/13
- May/June 2025

Question 3

9609/1 23 ▪ Q3 ▪ 5 marks

3 **(a)** Define the term ‘zero budgeting’. [2]

(b) Explain **one** benefit to a business of using budgets. [3]

Solution 3

(a) Mark scheme

- Define the term ‘zero budgeting’.
- Follow the point-based marking guidance at the top of this mark scheme and use Table A to give marks for each candidate
- response.
- AO1 out of 2 marks.
- Indicative content
- Responses may include:
- AO1 Knowledge and understanding

Solution 3

- ▪
- An approach to budgeting that sets budgets to zero each year – not from the current year's levels.
- ▪
- Requires budget holders to justify their budgets each year – in order to gain financial resources.
- Accept all valid responses.
- 2
- 9609/01
- For examination
- SPECIMEN

Solution 3

- from 2023

Solution 3

(b) Mark scheme

- Explain one benefit to a business of using budgets.
- Follow the point-based marking guidance at the top of this mark scheme and use Table B to give marks for each candidate
- response.
- AO1 out of 1 mark.
- AO2 out of 2 marks.
- Indicative content
- Responses may include:

Solution 3

- AO1 Knowledge and understanding
- ▪
- A budget is a detailed financial plan for the future.
- ▪
- Any benefit of using budgets, e.g. allocating resources, assessing performance, giving managers authority.
- AO2 Application
- ▪
- Budgets are set for both sales revenue and business costs – allowing a business to create and monitor profit centres and
- cost centres.

Solution 3

- ▪
- Budgets require budget holders to consider their future financial requirements – and to set realistic financial targets.
- ▪
- A system of budgets facilitates financial performance measurement – and increases budget holder accountability.
- ▪
- Budgets require careful financial planning – that should lead to a more efficient allocation of resources.
- ▪

Solution 3

- Budgets may well serve to motivate budget/profit and cost centre managers – creating an incentive to perform.
- ▪
- Budgets throughout a business may encourage co-operation and co-ordination of business activities – helping to avoid
- conflict.
- ▪
- Budgets are a measure of control – and allow monitoring to provide financial discipline within a business.
- ▪

Solution 3

- Budgets may indicate the need for change – by signalling the unrealistic nature of financial plans in the light of changed
- situations.
- ▪
- Budgets allow for the use of variance analysis – which indicate major areas for management action.
- Accept all valid responses.
- 3
- AO1
- 1
- AO2

Solution 3

- 2
- 9609/01
- For examination
- SPECIMEN
- from 2023