

# Markscheme

**May 2025**

**Business management**

**Standard level**

**Paper 2**

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The markbands on page 3 should be used where indicated in the markscheme.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptor.
1–2	<ul style="list-style-type: none"> <li>• Little understanding of the demands of the question.</li> <li>• Little use of business management tools and theories; any tools and theories that are used are irrelevant or used inaccurately.</li> <li>• Little or no reference to the stimulus material.</li> <li>• No arguments are made.</li> </ul>
3–4	<ul style="list-style-type: none"> <li>• Some understanding of the demands of the question.</li> <li>• Some use of business management tools and theories, but these are mostly lacking in accuracy and relevance.</li> <li>• Superficial use of information from the stimulus material, often not going beyond the name of the person(s) or name of the organization.</li> <li>• Any arguments made are mostly unsubstantiated.</li> </ul>
5–6	<ul style="list-style-type: none"> <li>• The response indicates an understanding of the demands of the question, but these demands are only partially addressed.</li> <li>• Some relevant and accurate use of business management tools and theories.</li> <li>• Some relevant use of information from the stimulus material that goes beyond the name of the person(s) or name of the organization but does not effectively support the argument.</li> <li>• Arguments are substantiated but are mostly one-sided.</li> </ul>
7–8	<ul style="list-style-type: none"> <li>• Mostly addresses the demands of the question.</li> <li>• Mostly relevant and accurate use of business management tools and theories.</li> <li>• Information from the stimulus material is generally used to support the argument, although there is some lack of clarity or relevance in some places.</li> <li>• Arguments are substantiated and have some balance.</li> </ul>
9–10	<ul style="list-style-type: none"> <li>• Clear focus on addressing the demands of the question.</li> <li>• Relevant and accurate use of business management tools and theories.</li> <li>• Relevant information from the stimulus material is integrated effectively to support the argument.</li> <li>• Arguments are substantiated and balanced, with an explanation of the limitations of the case study or stimulus material.</li> </ul>

## Section A

1. (a) State **two** features of a sole trader.

**[2]**

A **sole trader** is an **individual** who **owns and runs a business alone**. Some valid **features** of a sole trader include:

- Sole ownership
- Full control of the business
- Retains all profits
- Bears all losses
- Unlimited liability
- No legal distinction between owner and business (no separate legal entity)
- Minimal administrative and regulatory requirements
- Quick decision-making
- May find it harder to raise finance compared to incorporated businesses
- Profits taxed as personal income
- Lacks continuity – business may cease upon the owner’s death or incapacity
- Often operates on a small scale or locally
- Business success often depends heavily on the owner’s personal skills and effort

**N.B.**

- *No description or application to the stimulus is required.*
- *General points like “difficult to raise finance”, or “easy and inexpensive to set up”, must include comparison to other forms of business (e.g., limited liability companies) to be valid.*

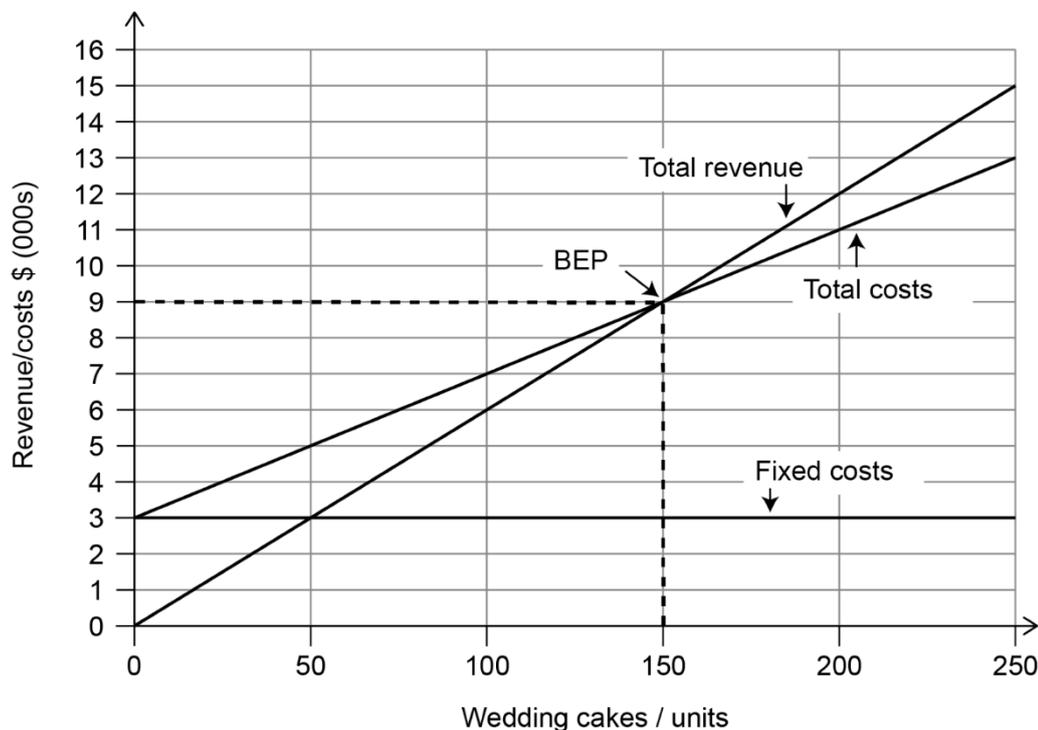
*Accept any other relevant feature.*

*Award **[1]** for each relevant feature of a sole-trader stated, up to a maximum of **[2]**.*

(b) Using **Table 1**:

(i) construct a fully labelled break-even chart, to scale, for *CWC for 2026*;

**[4]**



Supporting calculations for break-even point:

Contribution per unit = Price – Variable cost = \$60 – \$40 = **\$20**

Break-even point = Fixed costs ÷ Contribution = \$3000 ÷ \$20 = **150 units**

*Award marks are as follows:*

**[1]** for both appropriately labelled axes:

- Y-axis must be labelled to show **costs and revenue** (*both terms must appear*).
- X-axis must indicate **quantity**, such as *units, wedding cakes, or output*.

**[1]** for an accurately drawn and correctly labelled **total cost line**, based on the fixed and variable cost data.

**[1]** for an accurately drawn and correctly labelled **total revenue line**.

**[2]** for correct **identification and labelling of the break-even point**, where total revenue and total cost lines **intersect**.

*If the chart is not to scale, not neatly drawn, or not drawn with a straight edge, award a maximum of [2]. If the candidate produces a **table instead of a chart**, award [0].*

- (ii) calculate CWC's profit for 2026 (*show all your working*). [2]

The **margin of safety** = forecast demand – break-even point

**MoS** = 250 wedding cakes – 150 wedding cakes

**MoS** = 100 wedding cakes.

**Profit** = margin of contribution x margin of safety

**Profit** = \$20 x 100 wedding cakes = **\$2 000**

Or

**Profit** = total sales revenue – total cost (total fixed cost + total variable cost)

\$2 000 = [ \$60x250 ] - [ \$3 000 + (\$40x250) ]

\$2 000 = \$15 000 - \$13 000

The **profit is \$2 000**

**Mark as 1 +1**

*Award [1] if the candidate demonstrates how to calculate the profit but makes a mathematical error.*

*Award [2] if the candidate demonstrates how to calculate the profit and produces the correct answer. A correct answer must include the \$ sign, which can appear in the working or final answer.*

*Allow own figure rule (OFR).*

- (c) Explain **one** advantage for CWC of having a unique selling point/proposition (USP). [2]

The USP **benefits** CWC by becoming a **business identity differentiated from competitors** allowing it to **charge higher prices** without affecting sales. CWC makes a **variety of wedding cakes** decorated with a variety of materials, and **high quality of ingredients**. As a result, CWC has **increased its brand awareness resulting in a 25 % increase in sales** in 2024.

**Mark as 1 +1**

*Award [1] for the identification and/or explanation of an advantage, and an additional [1] for application to CWC's use of creative decoration and high-quality ingredients up to a maximum of [2].*

**N.B.** Accept other relevant advantages such as:

- Customer loyalty / repeat business. A strong USP can help CWC build customer loyalty, especially in a niche market like bespoke (custom-made) wedding cakes. Clients seeking exclusive designs or high-quality ingredients are more likely to recommend the business to others or return for future events.
- Word-of-mouth marketing / brand recognition. Having a creative and visual USP (e.g., natural flowers, high-quality ingredients) could enhance word-of-mouth marketing or social media sharing, helping CWC build brand awareness, which is supported by the 25% increase in sales in 2024.
- Targeting a specific niche / exclusive clientele. The USP allows CWC to target a specific, exclusive market segment—those willing to pay more for creativity and quality—rather than competing on price in a crowded generic cake market.

2. (a) State **two** advantages of reshoring. **[2]**

**Reshoring** is the practice of **transferring a business operation** that was moved overseas **back to the country** from which it was **originally relocated**.

**Advantages** to reshoring include:

- Giving the manufacturer **better control** over the **supply chain**;
- **Improving product quality** control;
- Enhancing **innovation** and **competition**;
- **Creating jobs** in the home country;
- **Streamlining logistics**;
- **Reducing transportation costs**;
- **Complying** with only **one fiscal system** (taxes).

*Accept any other relevant advantage such as: reducing trade/political risk, improving communication, shortening delivery times, enhancing brand image (e.g. locally made), or increasing responsiveness to market trends.*

**N.B.** No description or application is required.

**Mark as 1 +1**

*Award [1] for each relevant advantage stated up to a maximum of [2].*

(b) Using **Table 2**:

- (i) construct a forecasted statement of profit or loss for *BF* for the year ended 31 December 2026 (*show all your working*); **[4]**

**Brandon Fish, Ltd (BF)**  
**Statement of forecasted profit or loss for the year ended 31 December 2026**

	\$
<b>Sales revenue</b>	16 000 000
<b>Cost of sales</b>	(7 680 000)
Gross profit	8 320 000
<b>Expenses</b>	(4 552 000)
Profit before interest and tax	3 768 000
Interest	768 000
Profit before tax	3 000 000
<b>Tax</b>	(600 000)
Profit for period	2 400 000
Dividends	(240 000)
Retained profit/earnings	2 160 000

Supporting calculations:

**Sales revenue** = price of each tuna fish pouch x forecasted sales volume

**Sales revenue** = \$2.50 x 6 400 000 units = **\$16 000 000**

**Cost of sales** = direct cost of each tuna fish pouch x forecasted sales volume

**Cost of sales** = \$1.20 x 6 400 000 units = **\$7 680 000**

**Expenses** = administration + marketing

**Expenses** = \$1 352 000 + \$3 200 000 = **\$4 552 000**

Marketing expenses = 20% of sales revenue = \$16 000 000 x 20% = \$3 200 000

**Tax** = profit before tax X 20% = **\$600 000**

**Dividends** = \$2 400 000 X 10% = **\$240 000**

***N.B.** In this question, sales revenue, cost of sales, expenses, taxes, and dividends need to be calculated. Accept working included in Table 2 or separately. Expenses row may include two different lines (marketing and administrative).*

***Award [1]** for each of the following correct calculations in the statement of profit or loss up to a maximum of [3]:*

- **Sales revenue and cost of sales** (if one is wrong award [0])
- **Expenses** (both marketing and administration, and if one is wrong award [0])
- **Tax and dividends** (if one is wrong award [0])

*Apply own figure rule (OFR): e.g. if the candidate incorrectly calculated gross profit but otherwise the statement of profit or loss is constructed following the IB format and is correct in all other respects.*

***Award [4]** if the statement is fully correct, follows IB format (including headings), and all workings are shown.*

***Award [3]** if the answer is correct and done according to the IB format but no working is shown.*

***Award [2]** if the candidate produces a statement of profit or loss (OFR regarding cost of sales) but does not follow the IB format.*

***Award [1]** if the candidate shows some understanding of what a statement of profit or loss is but is constructed not in the IB format and has numerous errors.*

(ii) calculate BF's forecasted profit margin for 2026 (show all your working). **[2]**

**Profit margin** = profit before interest and tax / sales revenue x 100

**Profit margin** = (\$3 768 000 / \$16 000 000) x 100 = 23.55% (allow rounding)

***Award [1]** for correct working and **[1]** for correct answer. A correct answer must include the % sign, which can appear in the working or final answer. Allow own figure rule (OFR). Accept 23.6% or 24%.*

- (c) Explain **one** advantage for *BF* of asking for a bank loan to finance the reshoring project. **[2]**

A decision to reshore/offshore can be influenced by many factors, including the current political instability in Mexico. For that reason, an **advantage** of asking for a bank loan in this case, is that **BF will retain the non-current assets in Mexico**, ensuring that they maintain operational capabilities once economic issues improve (or raise finance in the future), while having **flexibility in terms of loan amount, repayment and interest rates (tailored to BF's needs)**.

**Mark as 1 +1**

*Award [1] for explaining that a bank loan offers flexibility to BF, and an additional [1] for acknowledging that it would allow for retaining non-current assets in Mexico in case offshoring back to Mexico is feasible or raise further finance if required.*

*Accept any other relevant advantage identified such as maintaining ownership, fixed repayment terms, or financial planning predictability, **as long as it is explained with regards to its relevance to BF's the reshoring project.***

**N.B.** *Do not accept faster than selling assets because the stimulus specifically states that BF wants to retain non-current assets.*

## Section B

3. (a) State **two** features of premium pricing. [2]

Premium pricing features:

- **reinforces** the **perception** of a **quality** image of a **product**;
- **price** will usually be **higher** than similar / competitor's products;
- is often **associated** with desirable **luxury brands**;
- is often **accompanied** by **strong branding** and **marketing**;
- is a **long-term strategy** (unlike price skimming);
- results in **high profit margins**;
- **restricts sales**.

*Accept any other relevant feature.*

**N.B.** No description is required. Do not credit examples.

Award [1] for each correct feature stated up to a maximum of [2].

- (b) Comment on VX's sales revenue for 2022–2024 shown in **Table 3**. [2]

A **basic comment** might be a response such as, "**sales revenue is increasing year on year**" or "**sales revenue went up more in the second year**".

For [2] the comment should **consider** that the **sales trend** is **accelerating**, with a **rise of \$3.6 m from 2022 to 2023** and a **rise of \$6.25m from 2023 to 2024** despite a **reduction** in the **selling price by \$1000** (from \$12 000 to \$11000 in 2024).

*Award [1] for a basic comment and an additional [1] for a full comment of the candidate's interpretation including direct reference to the data, up to a maximum of [2]. For the second mark, a candidate could focus on the revenue **growing more quickly**, or on how it **still increased despite lower prices**.*

*Mark as [1 + 1]*

- (c) Comment on VX's profit for period for 2022–2024 shown in **Table 3**. [2]

A **basic comment** might be that as **sales increased** the **loss is reduced** and **by 2024 a profit was being made**.

*For [2] the candidate should point out that **break-even would have occurred in 2023 if it were not for the cost of repairing the faulty GGs** (\$0.5).*

*Award [1] for a basic comment and an additional [1] for a full comment of the candidate's interpretation including direct reference to the data, up to a maximum of [2].*

- (d) Explain **one** advantage **and one** disadvantage for VX of selling GG motorcycles through dealerships. [4]

**Advantages:**

- It **increases** the **potential sales** of the **GG** as **previously** it could **only** be ordered **online** and overcomes the **resistance** to **purchase** from those customers who want to **test ride** before purchase;
- By selling through dealerships **sales** are likely to **increase** as feedback from VX's **social media** pages **suggested** that **40 % of potential customers will not buy without a test ride** and test rides are available from dealerships.

**Disadvantages:**

- **VX will receive less for each motorcycle** sold as dealerships expect a mark-up of **25 %** (the difference between the purchasing price \$9,000 and the selling price \$12,000) **reducing VX's profit margin**;
- VX will have **less control** over **sales and marketing**;
- Dealerships sell motorcycles from different manufacturers (not exclusive). They will offer other motorcycles made by other competitors - consumer will be able to compare and choose to buy other manufacturer models.

*Accept any other relevant advantage/disadvantage.*

**Mark as 2+2**

*Award [1] for identification of an advantage and an additional [1] for explanation with application, up to a maximum of [2].*

*Award [1] for identification of a disadvantage and an additional [1] for explanation with application, up to a maximum of [2].*

- (e) Using **Table 4** and information in the stimulus, discuss the advantages **and** disadvantages for VX of ZN's offer of a five-year strategic alliance. **[10]**

**Advantages** could include:

- **No interest to pay** as ZN will fully finance the development;
- ZNs **battery increases range** of the motorcycle by **25%** which may be a big selling point for potential customers;
- VX will **still be profitable** as even allowing for the payments made to ZN (forecast at \$26m);
- Only a **5 year agreement** so if VX wants to **can end the deal in 2030** and has increased production capacity;
- **Interest** rates are **increasing** so **a bank loan may be expensive** / will increase expenses;
- As **VX is a privately held company has no access to stock exchanges** so may be difficult to raise finance via a sale of shares;
- Would also mean that the **Klopp family will retain overall control** of the business.

**Disadvantages** could include:

- The **battery has not yet been launched** and is ZN's first ever battery / has **no experience** in this sector – **VX already had technical problems in 2023** (VX paid out \$0.5m to repair faulty GGs), if so this could further **damage VX's brand image** and reduce sales;
- **Ties VX to a single supplier** – if anything goes wrong then no alternatives in place and without a battery the motorcycle is of no use. May find original suppliers reluctant to do business with it as ended original deals;
- Battery **technology is developing rapidly** – before the 5 years are out ZN's **battery may no longer be the best on the market**;
- Over 5 years, if VX's sales forecasts are accurate, this will **cost VX \$27.5m** – depending on interest rates this may be **more expensive than taking out a bank loan**.

*Accept any other relevant discussion.*

*Marks should be allocated according to the markbands on page 3.*

4. (a) State **two** activities, **other than** oil production and coal mining, that belong to the primary sector. **[2]**

The **primary sector includes** all those activities of which the end purpose consists of exploiting natural resources such as:

- **Agriculture;**
- **Animal farming;**
- **Apiculture;**
- **Fishing;**
- **Forestry;**
- **Mining;**
- **Hunting;**
- Support activities for agriculture and forestry (**soil preparation, planting, and harvesting**)

*Accept any other relevant activity.*

**N.B.** No description or application is required.

*Award [1] for each activity belonging to the primary sector stated up to a maximum of [2].*

- (b) Using **Table 5**:

- (i) calculate OMX's return on capital employed (ROCE) for 2023 (no working required); **[1]**

ROCE = profit before interest and tax / capital employed x 100

ROCE = profit before interest and tax / (non-current liabilities + equity) x 100

**ROCE** = [ $\$26\text{m} / (\$5.3\text{m} + \$78\text{m})$ ] x 100 = **31.21%** (allow rounding) Accept **31.2%** or **31%**

*Award [1] for the correct answer. No working required.*

**N.B.** Correct ROCE values include:

- Percentage format (e.g., 31%, 31.2%, 31.21%)
- Decimal equivalent (e.g., 0.31), as this demonstrates correct calculation even if not in conventional business format.

- (ii) calculate OMX's sales revenue for 2026 if sales were to increase by 30 % (no working required). **[1]**

**Sales revenue for 2026** =  $\$266\text{m} \times 1.30 = \mathbf{\$345\ 800\ 000}$  or **\$345.8m**

*Award [1] for the correct answer. No working required.*

- (c) Using **Figure 1**, comment on OMX's dividend per share data for 2023–2025. **[2]**

The **bar chart** shows important data about the performance of the business. They are an **effective way to see how variables have changed**.

**Figure 1** shows information about the **dividend per share paid to shareholders**. It shows that in cents, this **has increased** each year from **28 in 2023 to 38 cents in 2025**; (almost 39 %).

Award **[1]** if the comment states that the graphs show how variables have changed. Award an additional **[1]** for application and/or interpretation regarding the data to all three years, up to a maximum of **[2]**.

For the first mark, accept any other relevant comment such as:

- bar chart suggests OMX is increasing shareholder returns;
- the trend may indicate improved financial performance;
- the consistent rise in dividends could attract investors.

- (d) Calculate the average rate of return (ARR) for the setup of the low-carbon energy division (show all your working). **[2]**

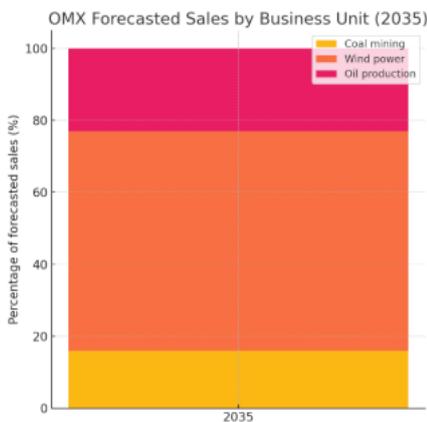
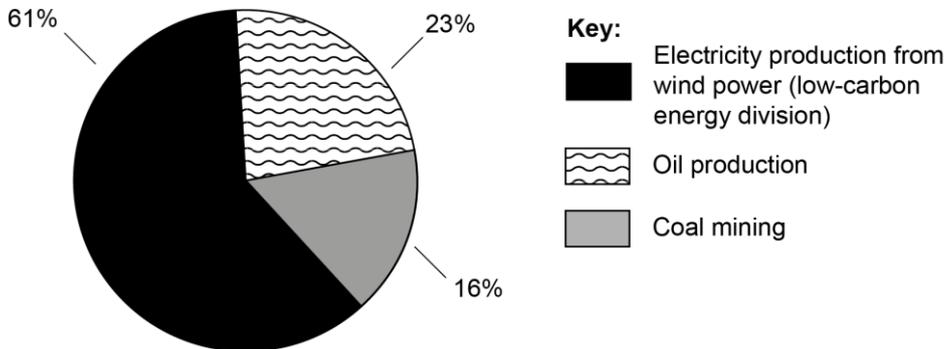
$$ARR = [(Total\ returns - capital\ cost) / years\ of\ use] / capital\ cost] \times 100$$

$$[(36\ 000\ 000 - 21\ 500\ 000) / 6] / 21\ 500\ 000 \times 100 = 11.24\% \text{ (allow rounding)}$$

Accept 11.2% or 11%

Award **[1]** for correct working and **[1]** for the correct answer. A correct answer must include the % sign.

- (e) Using **Table 6**, draw an appropriate chart showing OMX’s production by business unit for 2035. **[2]**



Award **[1]** for drawing a **pie chart**, and an additional **[1]** if reasonably accurate and includes labels.

**N.B.** This question explicitly instructs candidates to “draw an appropriate chart showing OMX’s production by business unit for 2035.” Therefore, responses that include charts for **more than one year** indicate a **misreading of the question** and should be awarded **[0 marks]**.

This is not a minor formatting issue — it reflects a failure in **data selection, comprehension, and graphical relevance**, all core skills assessed in business data interpretation. Candidates must extract and present only the data for **2035**. Charts including 2023–2025 or comparing multiple years **should not be rewarded**.

**If a candidate draws a bar chart for 2035 only, award [1 mark] for correct data selection but deduct for graph type. Only a pie chart (or a stacked bar for those candidates who draw it) are considered appropriate representations for category shares.**

- (f) Using information in the stimulus, recommend whether OMX should acquire NGM or continue to invest in renewable energies (wind power and low-carbon energy). **[10]**

There are advantages and disadvantages to both options.

#### **Advantages to acquire NGM:**

- **Natural gas is less expensive** than other fossil fuels (like oil or coal, which are already part of the business), and can be **easily** and steadily **transported**;
- It is the **most environmentally friendly fossil fuel** because its environmentally friendlier, so pressure groups can be pacified to some extent;
- NGM has proven natural gas **deposits** that will last **for the next 52 years**, ensuring long-term revenue stability. **This gives OMX a reliable income stream that can support investment in renewable energy** over the medium to long term, aligning with its strategic objectives without financial strain.
- The **developing country is not yet strictly regulated for gas use**, so this investment **providing steady annual revenues of \$88m** is a great opportunity. From 2025, if the renewable energies remain at 11% of the sales, natural gas can represent 25% of the sales [ $\$88m / (\$266m + \$88m)$ ], which together with 36% of oil sales and 16% coal sales, they **can all spread the stability in the electricity network**. Especially **natural gas is very reliable** during inclement weather conditions.;
- The **ARR is higher** than the renewable energies option (NGM=18.53% versus 11.24%). Allow OFR from (d).

#### **Disadvantages to acquire NGM:**

- Great pressure from **pressure group and investors to divest from fossil fuels**. Yes, **natural gas contributes to pollution** if it is burnt under inappropriate conditions;
- Gas is relatively **expensive to store** because of safety regulations and monitoring to prevent explosions;
- Gas is a **non-renewable resource**, and while 52 years of deposits offers medium-term security, it also highlights that gas is a finite resource. As global regulations tighten and clean energy becomes more urgent, OMX may face pressure to divest before fully using these reserves, risking stranded assets and reputational damage.

#### **Advantages to continue to invest in renewable energies:**

- According to pressure groups, **prices are expected to be 33% cheaper than oil and gas**, hence customers will benefit, and **revenue will increase**;
- Generating energy that **produces no greenhouse gas emissions** like fossil fuels, hence, not contributing to global warming;
- **Inexhaustible resources** equate long-term **energy security, sustainability, and price stability**
- The **increase in the share price** may **give customers a positive view** of the company, inspiring confidence in purchasing their goods.

**Disadvantages to continue to invest in renewable energies:**

- **Big land extensions are required** for renewable energies like solar and wind (*possible assumed knowledge*);
- **Electricity production** can be **unreliable** because **weather** is **unpredictable**;
- Energy **storage and transportation** in an efficient way can be a **challenge**;
- The **ARR** is **7.29 points less** than the ARR for acquiring the natural gas company (allow OFR).

This question is open-ended, and either strategic option—acquiring NGM or continuing to invest in renewable energies—may be recommended, provided the candidate offers a well-reasoned argument supported by relevant stimulus material.

Responses should show balance by considering at least one advantage and one disadvantage of both options, with clear application to OMX’s situation (e.g., ARR figures, regulatory context, customer response, long-term sustainability risks). Candidates are not expected to predict the "correct" choice but to justify their recommendation based on integrated analysis and use of data.

Responses that favor NGM may highlight short-to-medium term profitability and energy reliability. Those supporting renewables may emphasize long-term sustainability, reputational benefits, and alignment with growth in electricity production.

Strong responses may also recognize the value in a phased transition, using NGM as a bridge toward cleaner energy.

Do not penalize candidates for their choice of recommendation. Focus on the depth of evaluation, stimulus integration, and quality of justification when awarding marks.

*Accept any other relevant evaluation.*

*Marks should be allocated according to the markbands on page 3.*

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