



Cambridge International AS & A Level

BUSINESS

9609/04

Paper 4 Business Strategy

For examination from 2023

SPECIMEN PAPER

1 hour 15 minutes



You must answer on the enclosed answer booklet.

You will need: Answer booklet (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Follow the instructions on the front cover of the answer booklet. If you need additional answer paper, ask the invigilator for a continuation booklet.

INFORMATION

- The total mark for this paper is 40.
- The number of marks for each question or part question is shown in brackets [].

This document has **4** pages. Any blank pages are indicated.

Ryan's Farm (RF)

RF was set up in Australia in 2001 when John Ryan bought a farm, equipment and inventory for \$1.5m. He financed the purchase with a bank loan which was fully repaid by 2008. Initially, RF produced sugarcane, pineapples and mangoes.

Timeline of RF's strategy for growth

2008–2014	Several purchases of land to increase capacity, gain economies of scale and maximise profit margins. All profit reinvested in RF.
2015	All land converted to sugarcane production (see Appendix 1).
2016	Takeover of BKL, a neighbouring farm, for \$10m (see Appendix 2). Financed by bank loan and sale of shares in RF Limited, a newly created private limited company. John holds 51% of shares and is Managing Director.
2018	RF purchases a new building financed by a mortgage (see Appendix 3).
2019	RF's shareholders approve company's financial results at the annual general meeting (AGM) (see Appendix 4).

Developing a new business strategy

In 2020 a fire destroyed all RF's buildings and its inventory of recently harvested sugarcane. RF was unable to continue operations. John Ryan has chosen to retire and has left his controlling share of the company to his daughter, Sue.

Sue is determined to create a successful new farming business called RF2. She has adopted the following mission and aims as the basis of a business strategy.

Mission

Profitability through sustainability

Aims

- develop business options for farming the land
- identify market opportunities
- develop core competencies
- operate efficiently within a dynamic environment
- choose appropriate finance

Sue would now like advice on which approaches she should use to develop a new business strategy.

Appendix 1: Sugarcane production in Australia (2015)

- Large profit margins.
- 80% of Australian sugarcane is exported. The main export markets include Russia, China, Indonesia and the United States.
- Australia does not subsidise sugarcane production. However, European and American producers are subsidised.
- Brazilian sugarcane farmers are more efficient than Australian sugarcane farmers.
- Global demand for sugarcane and sugarcane products is forecast to continue growing.
- There is pressure on the industry to make production more sustainable, e.g. using less water.

Appendix 2: HR Director's report summary following RF's takeover of BKL (2016)

The two farms had very different corporate cultures. RF uses hard HRM whereas BKL used soft HRM. Most of the BKL employees were on flexi-time contracts. RF employees have annualised contracts.

RF moved BKL employees onto annualised contracts, but half of them chose to leave. Recruitment is difficult. Productivity is forecast to fall.

Appendix 3: Data on the new building (2018)

- Increases RF's inventory capacity by 300%. Allows RF to hold high levels of inventory for several months to take advantage of price changes.
- Computerised inventory control system.
- Links with enterprise resource planning (ERP) system used by all the major sugar factories.

Appendix 4: Analysis of RF's financial accounts between 2015 and 2018

	2015	2016	2017	2018
Current ratio	1 : 1	1 : 1	1 : 1	1 : 1
Acid test ratio	0.6 : 1	0.5 : 1	0.5 : 1	0.3 : 1
Return on capital employed (%)	9	7	6	5
Rate of inventory turnover (times)	0.8	0.8	0.8	0.6
Gearing (%)	5	30	20	60
Profit for the year (\$m)	2	2.3	1.8	0.6

Answer **both** questions.

- 1 Evaluate RF's strategy for growth between 2008 and 2019. [20]
- 2 Advise Sue on which approaches she should use to develop a new business strategy for RF2. [20]

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