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AQA A LEVEL BUSINESS (7132): QUESTIONS BY TOPIC

Decision making to improve operational performance (3.4)

A Level Business (7132) · Section 3.4

82 questions · 569 marks · Mark schemes included

For the final AQA A Level Business (7132) exams in summer 2027

Questions from A Level (7132) and AS (7131) papers, June 2017 to June 2025.
The AS papers test the same specification content, so every question here is valid 7132 practice.

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HOW TO USE THIS BOOKLET

Questions are grouped by AQA specification sub-topic and run from the lowest mark tariff to the highest within each one.
At the same tariff: AS before A Level, then oldest series first. Each question part appears once only, with its own mark scheme.
Click any row below to jump to it. On every question page, click ANSWER for its mark scheme (and QUESTION to come back).
Pages are the original exam pages. Every case-study question has its full case study printed directly before it.
After the mark schemes, WHAT THE EXAMINERS SAID quotes AQA examiner reports. Use EXAMINER on a mark scheme page to jump there.

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Section A

Answer **all** questions in this section.

Only **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD  WRONG METHODS 

If you want to change your answer you must cross out your original answer as shown. 

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown. 

0 1 **Statement 1:** 'A sole trader is personally liable for all debts of the business.'

Statement 2: 'The owners of a public limited company are guaranteed to receive higher dividends if profits increase.'

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

0 2 Which of the following statements is the **most** likely example of an objective that the operations function of a business might set?

[1 mark]

A To deliver 90% of customer orders within 72 hours of order. ⬭

B To increase net cash flow to £15 000 for the month of October. ⬭

C To increase the value of sales by 15% by the end of 2026. ⬭

D To reduce rates of absenteeism by 10% during 2026. ⬭



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Section A

Answer **all** questions in this section.

Only **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD  WRONG METHODS 

If you want to change your answer you must cross out your original answer as shown. 

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown. 

0 1 Which of the following will cause spare capacity in a business to rise?

[1 mark]

A New competitors are entering the market. ⬭

B The business closes some factories. ⬭

C The business's product becomes more fashionable. ⬭

D There is a successful advertising campaign. ⬭

0 2 **Statement 1**: 'Value added can be increased by creating barriers to entry.'

Statement 2: 'Value added can be increased by lowering unit costs.'

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭



Case study: Logger Boards Ltd (A Level Paper 3, June 2023 insert)
The full case study for Q1 (12 marks), which follows on the next pages. Read it before answering.

Bodhi Doyle started surfing when he was just 5 years old. Forty years later, he is the owner and manager of a successful company that specialises in manufacturing professional-quality surf boards using only recycled materials. Bodhi owns 100% of the shares of Logger Boards Ltd; a business which dominates its niche market.

Throughout the company's 25-year history, it has followed Bodhi's founding mission:

'Logger Boards Ltd exists to intensify the thrill of riding waves while helping nature recover in its battle with humanity.'

The business has grown from a one-man operation to fill a small workshop with five full-time highly skilled employees creating environmentally friendly, top-quality surfboards.

From the very beginning, Bodhi's products have been popular, while several mass-market UK-based surfboard manufacturers have struggled to survive. Logger Boards Ltd has had chances to buy these businesses cheaply in order to expand. Bodhi has declined these opportunities. He also recently turned down a chance to take over Logger Boards Ltd's specialist paint supplier.

Bodhi has worked tirelessly to seek out the very best recycled materials to ensure that his boards meet the demands of the world's best surfers. The workshop is now powered completely by renewable energy sources from an onsite wind turbine and a solar-panelled roof. Any waste-water generated is filtered onsite and reused wherever possible. However, with sales at a record high, Bodhi knows that the cramped conditions in the workshop, combined with a lack of storage space for materials, have reduced efficiency.

Demand for Logger Boards Ltd surfboards is expected to keep growing. Bodhi has conducted careful planning for a possible new production facility on the existing site that will allow the business to increase total capacity. This would enable the business to:

- keep all of its environmentally friendly systems
- create space for more output
- employ more workers if needed.

Bodhi's thorough research has generated forecast data, shown in **Appendix A**. The cost of building the new production facility is estimated to be £500 000. Logger Board's Ltd's bank has offered a long-term loan for this amount, at an annual interest rate of 5%. Further financial information for Logger Boards Ltd is provided in **Appendix B**.

Demand for Bodhi's surfboards has grown without the need for promotional expenditure. Bodhi's approach to promotion has been to rely solely on Logger Board's Ltd's social media account on Instagram. Bodhi posts pictures and videos on this account. He has become an 'accidental' influencer with 200 000 followers. The content focuses less on the business and more on Bodhi's surfing lifestyle and personal environmental beliefs. Details of Logger Boards Ltd's followers and customers are shown in **Appendix C**.

Bodhi remains undecided about his expansion plans – he has always aimed to minimise the level of risk involved in any business decision he has made. He is also concerned that a larger business may be harder to control, especially given his passion for ensuring that Logger Boards Ltd's mission remains central to the way the business

operates. Although his bank manager has suggested that communication and organisational structure will be vital to the success of the growth strategy, Bodhi feels that his leadership will be the most important aspect if the strategy is to succeed. 45

Appendix A Data for current workshop and forecast for new production facility

	Current workshop	**Forecast for first year in new production facility**
Productivity (units per worker per year)	500	600
Total cost per unit (£s)	350	350
Output (units per year)	2 500	3 000
Capacity (units per year)	2 500	7 500
Fixed costs	£125 000	£250 000
Percentage of waste that is recycled	98	95

Turn over for Appendix B

Appendix B Current financial data for Logger Boards Ltd (before new production facility)

Table 1 Balance sheet (statement of financial position) extracts

	£000s
Current assets	246
Current liabilities	120
Non-current liabilities	400
Total equity	1 000

Table 2 Income statement extracts

	£000s
Sales turnover	1 125
Cost of sales	750
Expenses	125
Finance cost (interest paid on loans)	20
Profit for the year	230

Appendix C Data on Logger Boards Ltd customers and social media followers

Figure 1 Age profile of Logger Boards Ltd customers and social media followers

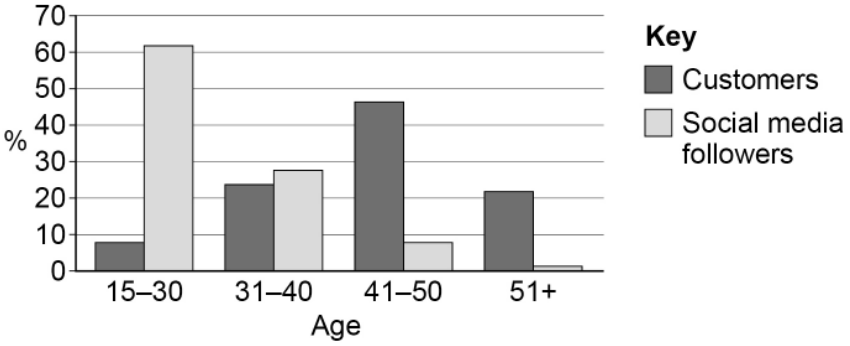
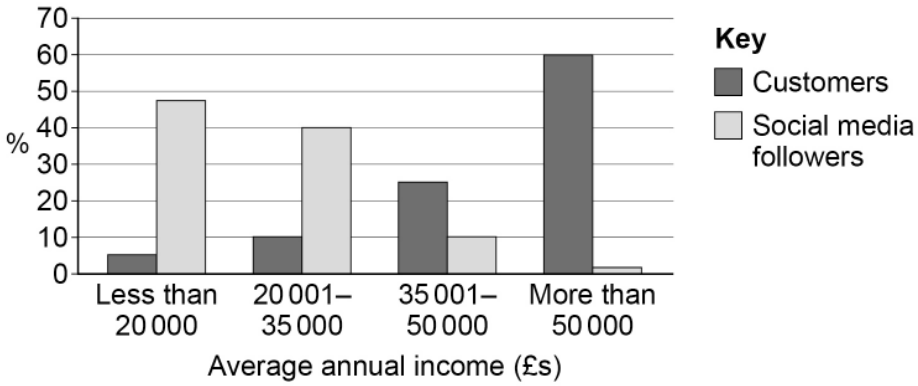


Figure 2 Average income of Logger Boards Ltd customers and social media followers



END OF SOURCES

This question is based on the case study: Logger Boards Ltd
A Level Paper 3, June 2023 insert. Printed in full on the pages just before this one (from page 6).

< CASE STUDY

Answer **all** questions.

Read the **case study** in the **Insert**.

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0 1 Analyse why Logger Boards Ltd prioritises meeting environmental objectives when making operational decisions.

[12 marks]

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Extra space

4

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12

Case study: Hoods Ltd (AS Paper 2, June 2025 insert)
The full case study for Q8 (20 marks), which follows on the next pages. Read it before answering.

Hoods Ltd

Hoods Ltd designs, manufactures and sells hoodies and other sportswear to retailers in the UK and Europe. Hoods Ltd was set up in 2002 by an entrepreneur, Habib. The business is successful and has grown quickly. It has four factories in the UK.

The product portfolio for Hoods Ltd has grown in the last three years. It now includes tracksuits, t-shirts and swimwear, as well as the original hoodie design. The clothes are made from high-quality materials. Hoods Ltd sources these from suppliers that use ethically sourced raw materials.

Habib started Hoods Ltd with the aim of wanting the business to be different from regular sportswear businesses. Hoods Ltd competes against global brands. These brands spend heavily on promotion. Habib decided to only use suppliers that sign up to Fair Trade and other similar agreements. Habib created a mission statement that he feels has set Hoods Ltd apart from other brands.

Hoods Ltd mission statement: 'Hoods Ltd only uses ethically sourced raw materials. This ensures excellent quality for our clothes and shows our commitment to being part of a more sustainable world.'

Using Fair Trade suppliers means that Hoods Ltd pays premium prices for materials. In the last year, the cost of materials has increased drastically. Habib has reassured the shareholders that these cost increases can be passed on to customers. He believes the Hoods Ltd brand and the quality of the clothes are strong enough to justify any price increase.

The marketing manager, Clara, is concerned that Hoods Ltd relies too heavily on repeat customers and is not promoting the company sufficiently. Following a recent dip in sales, Clara wants to increase the spending on promotion to reach more customers. Hoods Ltd has a website and Instagram account but these are not regularly updated. Habib does not agree with Clara and sees the dip as a temporary issue. He feels that the brand is well established in the market and that the clothes will 'sell themselves'. Habib estimates that the price elasticity of demand for Hoods Ltd's products is –0.1

Hoods Ltd employs 70 production staff who work in one of the four factories across the UK. Each factory has a site manager. The site managers regularly complain that they are not trusted to make decisions for their sites. Last week one of them left the business to work for a competitor. Habib is the majority shareholder and manages the company. His role includes setting and analysing all of the operational budgets for the company. Recently, Habib has struggled to manage this workload and decision-making has been slow. He is considering delegating the control of the budgets to the site managers which means they will allocate and decide how the money is spent.

The company has always generated healthy profits and had positive cash flow. However, in the last two years, there have been some major cash flow issues. One of the large retail customers for Hoods Ltd closed down without paying for its recent orders. The finance manager, Parvin, believes that many of Hoods Ltd's retail customers value the 60 days they have to pay for their orders. Parvin, therefore, suggests that Hoods Ltd should take out an overdraft, despite knowing that interest rates are currently high and may increase. Some of the shareholders are worried that this financial situation may continue and have asked Habib to urgently look at the cash flow position.

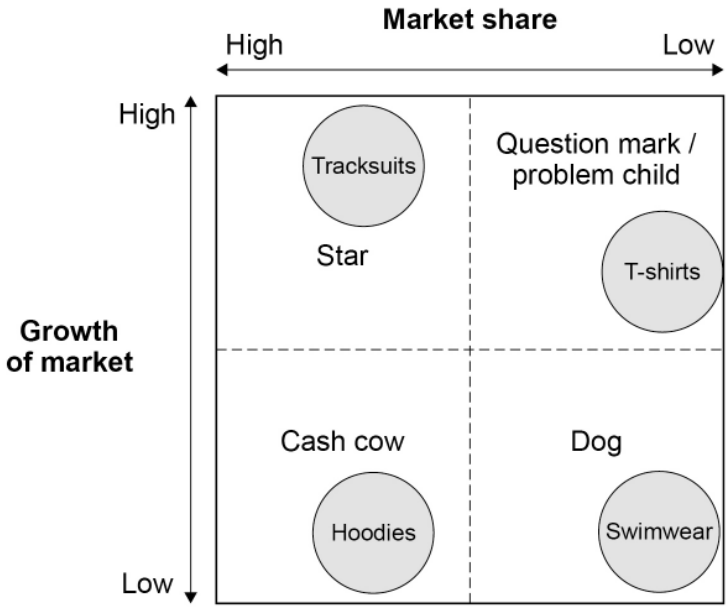
Figure 1: Financial data for 2022 to 2024

	2022 £m	2023 £m	2024 £m
Sales revenue	5.75	6.21	6.90
Cost of sales	4.30	4.60	5.07

Figure 2: Average time taken for customers to pay (days)

	2022	2023	2024
Hoods Ltd	60	60	60
Industry average	60	45	30

Figure 3: Hoods Ltd Boston matrix product portfolio 2025



END OF SOURCE

This question is based on the case study: Hoods Ltd
AS Paper 2, June 2025 insert. Printed in full on the pages just before this one (from page 13).

< CASE STUDY

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0 8 Evaluate the view that in order to be successful in the future, **all** businesses must prioritise ethical influences when setting operational objectives.

[20 marks]

11

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Extra space

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END OF QUESTIONS

20

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0 7 According to Hackman and Oldham's job characteristics model, meaningfulness of work is obtained through some of the following factors.

Which of the factors does **not** fit in with Hackman and Oldham's model?

A Financial reward ⬭

B Skill variety ⬭

C Task identity ⬭

D Task significance ⬭

[1 mark]

0 8 The following data relates to the financial position of Whittaker plc for the 2015–2016 financial year.

- Revenue: £25 750 million
- Dividends paid: £2 655 million
- Gross profit margin: 24.5%
- Net profit margin: 5.6%

Whittaker plc's gross profit for the 2015–2016 financial year was:

A £1 442.00 million ⬭

B £148.68 million ⬭

C £650.48 million ⬭

D £6 308.75 million ⬭

[1 mark]

0 9 Actual output for a factory in April 2017 was 35 500 units and its maximum possible output was 46 500. What was its capacity utilisation?

A 73.09% ⬭

B 76.34% ⬭

C 82.13% ⬭

D 83.25% ⬭

[1 mark]

Do not write outside the box

1 0 Which of the following statements is true?

A If labour productivity has increased a business must be producing more output. ⬭

B If market capitalisation increases dividends must increase. ⬭

C Quality assurance focuses more on preventing errors than identifying them. ⬭

D Redundancy occurs when a person is moved to another job within the organisation. ⬭

[1 mark]

10

Turn over for Section B

Do not write outside the box

0 8

	Budget £000	Actual £000
Revenue	26	28
Material costs	8	9
Labour costs	12	10

With reference to the table above which of the following statements is true?

A The revenue has an adverse variance. ⬭

B The material costs have a favourable variance. ⬭

C The profits have a favourable variance. ⬭

D The difference between the budgeted and actual profit is £15 000. ⬭

[1 mark]

0 9 In 2016 a business had 12 employees and produced 60 units of output. Its capacity utilisation was 75%. In 2017 it achieved 100% capacity output with the same labour force. Labour productivity per employee in 2017 was

A 6.67 units. ⬭

B 6 units. ⬭

C 5 units. ⬭

D 3.75 units. ⬭

[1 mark]

Turn over for the next question

1 0 The data below applies to **two** different factories.

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Factory	Capacity (units)	Actual output (units)	Number of employees	Cost of equipment
A	100	80	10	£1m
B	200	170	40	£1m

Statement 1: 'Factory A has a higher capacity utilisation than Factory B.'

Statement 2: 'Factory B uses more capital-intensive production than Factory A.'

Read statements 1 and 2 and select the correct option from the following:

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

[1 mark]

10

Do not write outside the box

0 7 **Statement 1:** 'If its product is perishable, a business is likely to have a high buffer level of inventory'.

Statement 2: 'If a business buys its materials from a just-in-time supplier in the same town, there is likely to be a long lead time for supplies'.

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

0 8 The data in **Table 2** refer to Abacus plc in 2018 and 2019.

Table 2

	2018	2019
Number of employees	20	40
Output (units)	50	100
Capacity (units)	100	200

Statement 1: 'Labour productivity has stayed the same between 2018 and 2019'.

Statement 2: 'Capacity utilisation has stayed the same between 2018 and 2019'.

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

Do not write outside the box

0 3 Which of the following options should a business choose to improve its gross profit margin?

[1 mark]

A Ask the owner of the building for a reduction in the rent paid for the head office. ⬭

B Increase the selling price of each product by £25. ⬭

C Offer customers a discount for making payment within 14 days. ⬭

D Sell some non-current assets that were bought for £90 000 in 2024. ⬭

0 4 Originally a business targeted its marketing towards male customers. It decides to change its focus to those customers who have the highest frequency of purchases.

This is a change from:

[1 mark]

A behavioural segmentation to income segmentation. ⬭

B demographic segmentation to behavioural segmentation. ⬭

C demographic segmentation to income segmentation. ⬭

D geographic segmentation to behavioural segmentation. ⬭

0 5 The table below provides data on XYZ plc's four factories.

XYZ plc aims to achieve a minimum labour productivity of 3 units per employee and unit costs below £5.

Which of its factories achieves **both** aims?

[1 mark]

	Factory	Number of employees	Output	Total cost £	
A	Factory A	25	100	550	⬭
B	Factory B	40	100	600	⬭
C	Factory C	50	200	800	⬭
D	Factory D	100	200	1200	⬭

Turn over ►

Do not write outside the box

0 6 **Statement 1**: 'Total revenue – profit = Total contribution + fixed costs'

Statement 2: '(Selling price x quantity) – fixed costs = Profit + variable costs'

Read statements 1 and 2 and select the correct option from the following options.

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

0 7 Assuming no other changes, capacity utilisation is likely to be:

[1 mark]

A decreased by dynamic pricing and decreased by penetration pricing. ⬭

B decreased by dynamic pricing and increased by penetration pricing. ⬭

C increased by dynamic pricing and decreased by penetration pricing. ⬭

D increased by dynamic pricing and increased by penetration pricing. ⬭

Turn over for the next question

Do not write outside the box

Section A

Answer **all** questions in this section.

Only **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD  WRONG METHODS 

If you want to change your answer you must cross out your original answer as shown. 

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown. 

0 1 Which of the following will cause spare capacity in a business to rise?

[1 mark]

A New competitors are entering the market.

B The business closes some factories.

C The business's product becomes more fashionable.

D There is a successful advertising campaign.

0 2 **Statement 1**: 'Value added can be increased by creating barriers to entry.'

Statement 2: 'Value added can be increased by lowering unit costs.'

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true.

B Statement 1 is true. Statement 2 is false.

C Statement 1 is false. Statement 2 is true.

D Statement 1 is false. Statement 2 is false.

Do not write outside the box

1 0 The data in the table refers to a company's production of a product.

Between 2020 and 2021 there was a decrease in the unit costs of the product.

	2020	2021
Capacity	80	125
Actual output	80	100

Statement 1: 'Between 2020 and 2021, economies of scale might have led to lower unit costs.'

Statement 2: 'Between 2020 and 2021, higher capacity utilisation might have led to lower unit costs.'

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

1 1 **Statement 1**: 'A business might improve the quality of its product in order to make its demand more price inelastic.'

Statement 2: 'A business might improve the quality of its product in order to achieve a competitive advantage.'

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

Do not write outside the box

0 9 As a small business grows, the founder starts to delegate responsibilities. Every employee will have clear procedures to follow in their jobs.

Which statement below describes the change in culture of this business?

[1 mark]

A Person culture to role culture ⬭

B Person culture to task culture ⬭

C Power culture to role culture ⬭

D Power culture to task culture ⬭

1 0 A business sets two operational objectives for its four factories:

- to achieve a minimum capacity utilisation of 80%
- to achieve a minimum labour productivity of 2 units per employee.

The table below provides data for each factory.

Which factory achieved **both** objectives?

[1 mark]

	Factory	Capacity	Output	Number of employees	
A	Factory A	100	90	50	⬭
B	Factory B	100	85	45	⬭
C	Factory C	100	80	40	⬭
D	Factory D	100	75	30	⬭

Case study: Parkside Theatre (AS Paper 2, November 2020 insert)
The full case study for Q1 (3 marks), which follows on the next pages. Read it before answering.

Parkside Theatre

Parkside Theatre is a small independent cinema that shows films but also hosts music, comedy and drama events. It is based in a historically important town centre building built in the late 1890s. This building has been renovated using a government grant; a condition of the grant was that the style of the building was preserved.

The business has been owned by the Sanderson family for several generations. They are keen that the business is managed in such a way that the building's architecture is protected, but Parkside Theatre must generate a return on investment.

Lorna has been the general manager of the business for six years. She has full control of day-to-day management. Lorna has been working to improve the capacity utilisation of the cinema. The directors have set her a capacity utilisation target of 70%.

Figure 1: Average cinema attendances at Parkside Theatre 2019

	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Weekly total
Attendance	220	175	-	223	354	629	575	
Maximum capacity	400	400	-	400	400	800	800	

Note: the cinema is closed on Wednesday and has two shows on Saturday and Sunday.

The cinema is in an area that has a small tourism industry, causing increasing attendances during the summer. There are also peaks of demand at Christmas and Easter, linked to school holidays. Incomes in the area have risen faster than the national average over the last 10 years (as shown in **Figure 2**) and are forecast to continue to do so.

Lorna has used hunches, based on intuition, in order to decide on projects, such as introducing comedy events to make greater use of the facilities. Some of these projects have been successful.

Part of Lorna's role is managing cash inflows and outflows. She has a financial objective of maintaining a positive cash flow.

The core cinema business is staffed by a small team of permanent employees; most are part time and have been at the business for many years. Parkside Theatre has gained praise for its staff training, winning awards in 2017 and 2018.

'Our Place'

Rising demand for venues hired for business meetings and conferences led Lorna to believe this could be an opportunity for Parkside Theatre. A large, unused room could be developed to create several small meeting rooms, but required investment from the owners for modernisation. The work would remove some internal historical features.

The board of directors of Parkside Theatre were concerned that competition was well established in the local area. They insisted that they could only support the investment if Lorna adopted a scientific decision-making process and that she presented evidence to support the project.

Lorna completed a range of primary and secondary market research into the demand for meeting venues. She interviewed local business managers about services they would expect. She then completed detailed analysis to support her argument. A selection of the results is included in **Figures 2** and **3**.

After studying Lorna's evidence, the directors agreed to invest what they felt was a large amount of finance.

In April 2019, the meeting rooms launched under the brand name 'Our Place'. The historic exterior of the building is a unique selling point and Lorna chose to set the prices using price skimming. 'Our Place' was promoted to local and regional businesses offering helpful staff, comfortable seating, catering and state-of-the-art IT facilities.

To operate 'Our Place' flexibly, Lorna has been unable to offer guaranteed weekly hours of work for employees, although she would have liked to do so. Training is provided during the induction of staff members to achieve high standards of customer service. Staff retention has been low for the staff delivering the 'Our Place' services during the first year, though Lorna has managed to regularly recruit new staff by focusing on the local student population.

Lorna recognises that the future demand for Parkside Theatre services depends on changes in the external environment but thinks her decision-making has a greater impact. She realises this may not be true for managers in all businesses.

Figure 2: Selected data from secondary research

Annual growth in income (UK) 2009–2018	1.3%
Annual growth in income (locally) 2009–2018	2.3%
Annual growth in the market for meeting venues (UK 2015–2018)	4.5%

Figure 3: Selected data from Lorna's primary research

Research based on interviews with 20 local businesses that rent meeting rooms	
Do you rent rooms more than once a month?	45% yes
How satisfied are you with local meeting venues?	20% satisfied
If choosing a meeting room, what is the most important factor?	
• Price	55%
• IT facilities	20%
• Comfort/surroundings	20%
• Staff/customer service	5%

END OF SOURCE

This question is based on the case study: Parkside Theatre
AS Paper 2, November 2020 insert. Printed in full on the pages just before this one (from page 28).

< CASE STUDY

Do not write outside the box

Answer **all** questions.

Read the **source** in the **Insert**.

0 1 Using the data in **Figure 1**, calculate the average weekly capacity utilisation in 2019.

[3 marks]

Answer _____

Workings _____

3

0 2 The income elasticity of demand for Parkside Theatre cinema tickets is +1.5.

Explain why this information is important for Parkside Theatre.

[4 marks]

Extra space _____

4

Do not write outside the box

Section B

Answer **all** questions in this section.

1 1 A small theatre business opens at the weekends.

This is the data recorded for one weekend.

	Saturday	Sunday
Number of seats sold	850	980
Capacity of theatre (number of seats)	1000	1000

Calculate the capacity utilisation for the weekend above.

[3 marks]

_____ %

3

1 2 Explain **one** way an increase in competition could lead to fixed costs rising for a business.

[3 marks]

3

Case study: Play Equipment Ltd (AS Paper 2, June 2024 insert)
The full case study for Q1 (3 marks), which follows on the next pages. Read it before answering.

Play Equipment Ltd

Play Equipment Ltd (PE) is a UK-based manufacturer of playground equipment such as slides, swings and climbing frames. PE Ltd makes and sells the equipment to business customers such as theme parks, holiday parks and schools. PE Ltd uses a sales team to promote its products to these business customers. PE Ltd has been running for 14 years. Until recently it had high market share in this competitive market and was known for its excellent quality equipment.

The operations manager believes that the raw materials supplier PE Ltd uses is to blame for its recent loss of market share. PE Ltd has used the same supplier for the last 5 years. However, in the last 18 months, there have been many faults reported with the raw materials. This has resulted in complaints from some of the businesses that PE Ltd supplies. The operations manager has returned the last shipment of raw materials used for the equipment, due to poor quality. The costs of the raw materials have increased, and so have the storage costs. The current supplier has not been able to offer just-in-time delivery. The operations manager thinks PE Ltd needs to find a new supplier before the situation gets worse.

The marketing manager is worried about the brand image of PE Ltd. In the last 2 years, PE Ltd has lost some of its brand loyalty. PE Ltd has faced tough competition from well-known toy brands that operate with lower unit costs. The shareholders of PE Ltd have expressed a desire to expand the markets in which the company sells. The shareholders want PE Ltd to start targeting individual customers, such as families who are looking to put play equipment in their homes and gardens. They have asked the managers of PE Ltd to undertake market research into this potential market to gather relevant data. Many of the managers disagree with this suggestion. Their intuition is to remain with the current market. However, the shareholders have asked the managers to produce a decision tree to decide whether to target the new market. If PE Ltd does decide to target individual customers directly this will significantly increase the number of potential customers. The marketing manager will need to create a new promotional mix. The finance manager would need a £50 000 loan to pay for the new promotional mix.

PE Ltd uses a range of financial and non-financial methods of motivation. The employees complete training every year to ensure they are aware of updates to machinery and processes. PE Ltd offers all employees the opportunity to work in the different departments, and managers use delegation to avoid employees becoming bored in their roles. The employees are paid below the industry average wage, but they can earn bonuses for hitting monthly productivity targets. Despite these incentives, labour turnover has increased from 10% to 35%. Employees have left due to better wages and higher bonuses being offered by competitors. PE Ltd's employees have many skills which can be used in other industries and this makes them hard to retain. It is difficult to recruit skilled employees due to lots of competition for workers in this rapidly expanding market.

Figure 1: Selected annual productivity data for PE Ltd

	2021	2022
Number of employees	102	108
Number of products made	25 500	27 648
Labour productivity	250	256

Figure 2: Selected financial data for PE Ltd

	2021	2022	2023
Monthly fixed costs	£21 000	£27 000	£30 000
Selling price per unit	£280	£300	£342
Variable cost per unit	£102	£120	£142
Units sold per month	800	1 200	1 850
Overdraft balance	(£85 000)	(£100 000)	(£150 000)
Retained profit	£100 000	£50 000	£30 000
Receivables due	£20 000	£25 000	£70 000

END OF SOURCE

This question is based on the case study: Play Equipment Ltd
AS Paper 2, June 2024 insert. Printed in full on the pages just before this one (from page 32).

< CASE STUDY

Answer **all** questions.

Read the **source** in the **Insert**.

Do not write outside the box

0 1 In 2023, PE Ltd had 120 employees.

The number of products it produced increased by 10% from 2022 to 2023.

Using **Figure 1**, calculate PE Ltd's annual labour productivity in 2023.

[3 marks]

3

0 2 Using **Figure 2**, calculate the monthly margin of safety for PE Ltd in 2023.

[3 marks]

3

1 4 The total output of a business increased by 15.5% between 2017 and 2018. Using the table below calculate the change in labour productivity. Show your workings.

Do not write outside the box

	Labour productivity (units)	Number of employees	Total units output
2017	80	40	
2018		42	

[5 marks]

Change in labour productivity in units _____

Workings _____

Extra space _____

5

Do not write outside the box

1 7

Napara plc

Napara plc is a large mass market manufacturer of cars. Currently it produces four models of cars. Napara plc's reputation had previously been for reliability. This reputation has declined in recent years. Napara plc carried out some market research. This research highlighted that customers want:

- reliable cars
- cars supplied without waiting times.

Table 3 Operational data for 2021

Operational data	Napara plc	Industry average
Average cars produced per 100 employees in 2021	3150	5500
Percentage of cars requiring recall for faults	2.4%	0.8%
Average time from customer order to delivery	1 month	3 months

The employees in the Napara plc factory are highly skilled but have low motivation. There is high trade union membership amongst the employees. The union members took industrial action last year when they felt management bought incorrect safety equipment that put employees at risk. The action caused negative news headlines. The employees distrust management as a result. None of Napara plc's management have experience working on the production line. Employees worry their jobs are not being done safely and efficiently. This distrust has led to poor employee performance.

In 2023, the business has made the decision to move into the rapidly growing and highly profitable electric car market. Two of the company's current models will be replaced with electric models. The move would require the high-end skills of many of the workers. However, some jobs may be lost.

Customers in the electric car market:

- expect high-quality cars
- are very concerned with the ethics of the brand
- are willing to pay high prices.

Napara plc knows the market for these cars is rapidly changing. Napara plc's shareholders want the company to launch its first electric car as quickly as possible. The business is considering involving employees in the planning for the new production line.

1 7 . 1 Analyse the implications of the operational data in **Table 3** on the prices that Napara plc can charge its customers.

[9 marks]

Do not write outside the box

Extra space

9

Answer **all** questions in the spaces provided.

Do not write outside the box

0 1 Read the information below and then answer the questions that follow.

Biggs Ltd

Biggs Ltd operates in the snack food market, selling crisps, nuts and other savoury products. Potatoes are a key ingredient in its snacks. The price of potatoes has risen by 35% over the last two years.

The company is one of six firms who dominate a market that has been growing strongly for ten years. The market growth is largely due to the development of new snacks designed for children. However, Biggs Ltd's market share has been falling since 2019.

Biggs Ltd plans to launch a completely new range of products in 2024. It will promote this by sponsoring a major televised sporting competition which has children and families as its audience.

Appendix A Extract from Biggs Ltd's recent financial statements

	2023 £000s	**2022 £000s**
Revenue	47 569	46 994
Gross profit	22 289	22 820
Operating profit	4 650	4 701
Payables	5 056	5 221

Appendix B Labour productivity for Biggs Ltd and the snack food industry average (shown as an index number, base year = 2017)

Year	**Biggs Ltd**	**Industry average**
2020	104.2	104.3
2023	100.3	105.9

Do not write outside the box

Appendix C Marketing expenditure as a percentage of revenue, 2020–2024*



* 2024 based on Biggs Ltd's forecast.

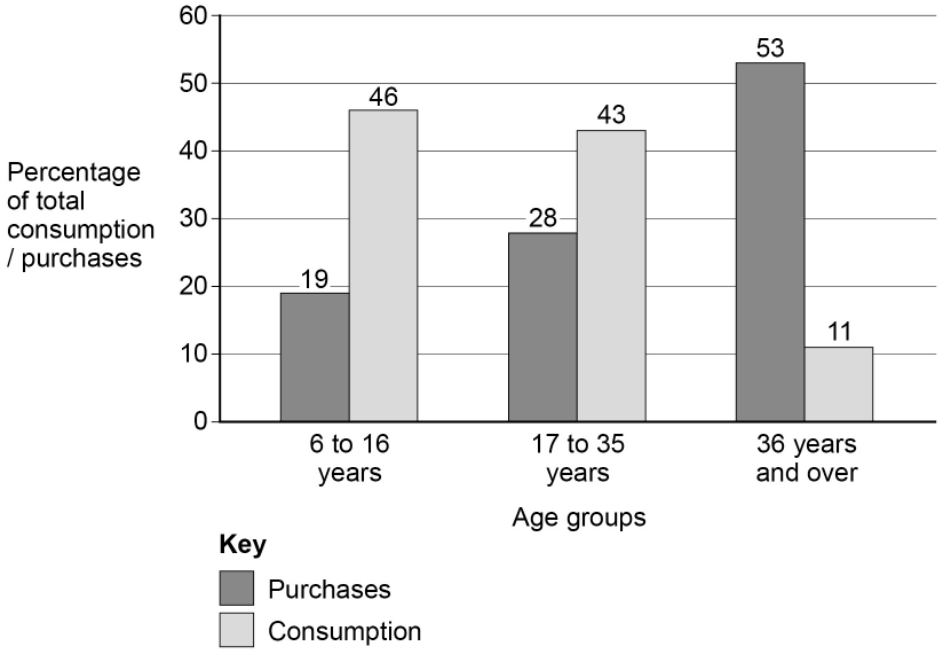
Appendix D Results of market research conducted with families on Biggs Ltd's new product range and the promotional campaign

Survey question	**Average survey score by age group**		
	6 to 16 years	17 to 35 years	36 years and over
I will definitely try the new products when they are available.	9.9	7.2	1.8
The promotional campaign improves my view of Biggs Ltd's brand.	8.3	6.3	8.0
I frequently consume snack foods at sports events.	8.9	6.9	2.7
Scale: 10 = strongly agree, 5 = neither agree nor disagree, 0 = strongly disagree			

Source: Data from 27 interviews with families, conducted by Biggs Ltd in 2021.

Do not write outside the box

Appendix E Percentage of snack products bought and consumed by different age groups



Results from a recent survey of 3000 respondents conducted by an independent market research firm.

Do not write outside the box

0 1 . 3 Analyse how the changes in Biggs Ltd's labour productivity, shown in **Appendix B**, may cause its market share to fall.

[9 marks]

Extra space

9

Do not write outside the box

0 6 The **two** statements below relate to the seven P's of the marketing mix.

Statement 1: Ensuring that communications with customers are dealt with promptly is an aspect of 'Process'.

Statement 2: Ensuring that the reception area of a business is clean and tidy is an aspect of 'People'.

Read statements 1 and 2 and select the correct option from the following:

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

[1 mark]

0 7 A business wishes to reduce its capacity. Which of the following actions is **not** a method that a business will use to achieve this aim?

A Cutting back on capital equipment ⬭

B Rationalising its labour force ⬭

C Reducing output ⬭

D Selling a factory to another business ⬭

[1 mark]

0 8 Based on Tannenbaum and Schmidt's continuum of leadership, in which part of the continuum does the manager have least authority?

A Consult ⬭

B Sell ⬭

C Share/Joins ⬭

D Tell ⬭

[1 mark]

Do not write outside the box

0 6 The table below shows four different scenarios.

Scenario	Change in interest rates	Change in wages
A	Increase	Increase
B	Increase	Decrease
C	Decrease	Increase
D	Decrease	Decrease

Which scenario is **most** likely to encourage a business to change from labour-intensive processes to capital-intensive processes?

[1 mark]

A Scenario A ⬭

B Scenario B ⬭

C Scenario C ⬭

D Scenario D ⬭

Do not write outside the box

0 8 **Statement 1**: 'Introducing lean production can improve cash flow by reducing levels of inventory.'

Statement 2: 'Introducing lean production can improve profitability by reducing waste.'

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

0 9 Which one of the following is **not** an extension strategy?

[1 mark]

A Attracting new market segments ⬭

B Changing the image of a product ⬭

C Increasing spending on promotions ⬭

D Lowering unit costs ⬭

1 0 **Statement 1**: 'Delegation can improve efficiency because it may allow decisions to be taken by the employee with the most relevant skills.'

Statement 2: 'Delegation helps to identify employees with the potential for promotion.'

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

10

Do not write outside the box

Section A

Answer **all** questions in this section.

Only **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD  WRONG METHODS 

If you want to change your answer you must cross out your original answer as shown. 

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown. 

0 1 **Statement 1**: 'Profit is important because it can measure success.'

Statement 2: 'Profit is important because it can reward shareholders.'

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

0 2 Which one of these factors is **not** a feature of lean production?

[1 mark]

A Frequent deliveries from suppliers ⬭

B Long lead times ⬭

C Low inventory levels ⬭

D Right first time quality ⬭

Do not write outside the box

For this particular business, which stakeholder group is most likely to influence this business' management decision-making?

A Suppliers ⬭

B Customers ⬭

C Shareholders ⬭

D Employees ⬭

[1 mark]

0 3 A business experiencing a lower level of capacity utilisation than usual may benefit because it

A reduces the average costs of production. ⬭

B provides more time for maintenance and repair of machinery. ⬭

C can increase employee morale, because employees feel more secure in their jobs. ⬭

D represents a more efficient use of capital equipment. ⬭

[1 mark]

0 4 The information below is an extract from a company's annual accounts.

- Current assets: £3 million
- Current liabilities: £2.4 million
- Non-current liabilities: £4.2 million
- Capital employed: £12 million

The company's gearing ratio is

A 35% ⬭

B 250% ⬭

C 20% ⬭

D 5% ⬭

[1 mark]

Do not write outside the box

0 3 A business replaces some of its workforce with machinery. This leads to a 10% increase in capacity and output and a 5% increase in unit costs. This is an example of

A more capital intensive production and economies of scale. ⬭

B more capital intensive production and diseconomies of scale. ⬭

C more labour intensive production and economies of scale. ⬭

D more labour intensive production and diseconomies of scale. ⬭

[1 mark]

0 4 A good has a negative income elasticity of demand and a negative price elasticity of demand.

Statement 1: 'Other things being equal, a fall in consumer incomes must lead to a fall in sales volume for this good.'
Statement 2: 'Other things being equal, a fall in price must lead to a rise in sales value for this good.'

Read statements 1 and 2 and select the correct option from the following

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

[1 mark]

Turn over for the next question

Do not write outside the box

0 3 **Statement 1:** 'An increase in its level of capacity utilisation can help a business because it allows it more time for maintenance and repair of equipment.'

Statement 2: 'An increase in its level of capacity utilisation can help a business because it allows it to meet unexpected increases in demand.'

Read statements 1 and 2 and select the correct option from the following options.

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

0 4 The table below shows data from a company's accounts.

Item	£ (million)
Cost of sales	4
Other expenses	3
Sales revenue	12
Taxation	2

The company's operating profit is

[1 mark]

A £3 million. ⬭

B £5 million. ⬭

C £6 million. ⬭

D £8 million. ⬭

Do not write outside the box

0 5 **Statement 1**: 'Lean production should reduce unit costs because it involves a business buying raw materials in greater bulk.'

Statement 2: 'Lean production should reduce unit costs because it reduces wastage of raw materials.'

Read statements 1 and 2 and select the correct option from the following options.

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

0 6 The table below shows four possible scenarios.

Scenario	Managers' willingness to make internal changes	Likelihood of external changes in market
A	High	High
B	High	Low
C	Low	High
D	Low	Low

In which of these scenarios is strategic drift **least** likely to occur?

[1 mark]

A Scenario A ⬭

B Scenario B ⬭

C Scenario C ⬭

D Scenario D ⬭

1 5 Analyse how the use of technology might improve operational efficiency in a manufacturing business.

[6 marks]

Do not write outside the box

Extra space

6

Do not write outside the box

0 2 Read the information below and then answer the questions that follow.

Seebus plc

Seebus plc is a food retailer that has used organic growth to expand. It now has 110 stores spread across the UK. The company competes with larger supermarkets by positioning itself as offering higher quality products and better customer service.

To differentiate itself, Seebus plc offers:

- a luxury range of 'own-brand' goods
- some branded goods which are market leaders in their particular categories.

The company focuses on a smaller range of products than its largest rivals and relies on being able to achieve higher gross profit margins. Seebus plc is aware that it cannot compete purely on price with much larger rivals in the mass market.
Seebus plc operates a 'Just in Time' system of inventory management, as do all major competitors in the market. It recently introduced software which integrates inventory management with marketing, production, transport logistics and the supply chain.

Recently, the results of employee satisfaction surveys have shown rising levels of unhappiness with pay and working conditions. Labour turnover has also increased dramatically. In 2023, Seebus plc employed an average of 6000 employees. During 2023, 960 employees left Seebus plc, whilst only 720 new employees joined the company. Seebus plc had always taken pride in its excellent relationships with employees, paying wages well above those of its main rivals. Recently, competitors have significantly increased employee pay rates. Employees are also unhappy about changes to shift patterns and the way they are supervised. Ajinder, the Chief Executive, plans to address the findings of the employee surveys. The plans include implementing a new package including:

- personalised career development plans
- improved training.

Do not write outside the box

0 2 . 1 Calculate the rate of labour turnover for Seebus plc in 2023.

[3 marks]

3

0 2 . 2 Explain **one** reason why Seebus plc uses a 'Just in Time' system of inventory management.

[6 marks]

6

Question 2 continues on the next page

1 7

Do not write outside the box

Fit Gym plc

Eamon is Chief Executive of a large gym chain called Fit Gym plc. Eamon established the business in 2008, aged 30. He is passionate about people getting fit and providing a great gym experience for customers. Eamon has £45 million in personal savings.

Eamon's personal objectives are to:

- continue to develop the premium image of Fit Gym
- work within the fitness industry for at least the next decade.

The market for gym membership is growing rapidly. Fit Gym operates premium gyms based in city centres; they are open 8 am to 6 pm every day of the week. Fit Gym's target market is city workers, who work at offices near the gym. Its busiest hours tend to be around the start and finish of the office working day.

Fit Gym's customers are not price sensitive but expect to have easy access to the equipment. In recent weeks, capacity has been a problem as customers have complained about growing queues to use the gym equipment at busy times. Compared to rival gyms, Fit Gym has double the level of staffing to maintain a high level of customer service. Most staff are paid by the hour; the hourly pay is high for the industry.

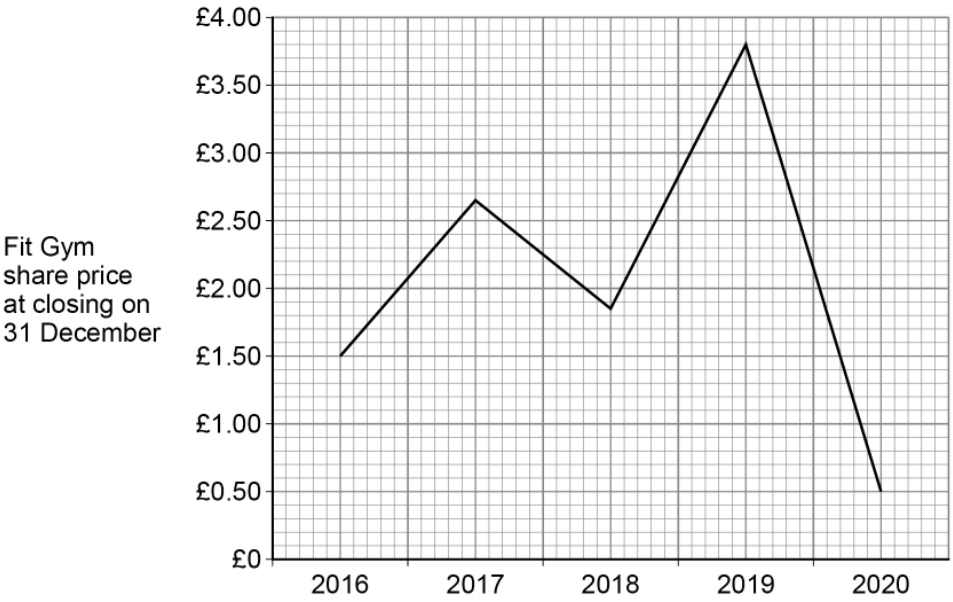
Fit Gym became a public limited company in 2016. It has 100 million shares issued. Eamon retained 10% ownership. The current share price is 50p.

Table 2 Data comparing Fit Gym to competitors in 2020

	Fit Gym	Average for competitor gyms
Monthly membership price	£60	£35
Opening hours per week	70	104
Customer satisfaction rating on gym review website	92%	78%
Staff costs	55% of total costs	30% of total costs

Do not write outside the box

Figure 2 Fit Gym share price 2016–2020



Eamon has consistently argued for high levels of investment in staff, premium facilities and top-quality equipment; this has led to low dividends. Most of the other shareholders now want to cut costs to improve profitability. The shareholders have asked Eamon to cut staffing levels and sell off less profitable gyms. They want Eamon to relocate many of the remaining gyms to cheaper sites. They also want increases in dividends and have threatened to replace Eamon as Chief Executive if this does not happen.

Meanwhile, a highly profitable American gym chain is considering expanding into the UK market. It has a reputation for buying out rival chains and cutting costs.

1 7 . 1 To increase capacity, Eamon is considering increasing the opening hours of its gyms.

Analyse how Fit Gym might be affected if it made this decision.

[9 marks]

Do not write outside the box

Extra space

9

17.2 Eamon is considering using his personal savings to buy out the shareholders in Fit Gym plc to convert it back to a private limited company.

To what extent do you think this would be a good decision for Eamon?

[16 marks]

Do not write outside the box

0 2 Read the information below and then answer the questions that follow.

Nari

Nari is a mobile phone manufacturer based in Asia. Although its brand name is not as strong as the Apple iPhone, Nari's phones sell at much lower prices which make them competitive. Nari adds new features to its phones and develops new models every few months. The company has an objective of 95% of sales from products launched in the last year. It has relatively low profit margins but high sales volumes.

To win business, Nari promises the retailers that sell its phones a lead time of 48 hours; any delay results in a major discount for the retailers on the products they have ordered.

To achieve low prices and still be profitable, the company focuses on being more efficient than its rivals. The company has a 'Just in Time' approach to manufacturing. It has a global supply chain with hundreds of different suppliers of components based in more than 50 countries. These components are delivered using a variety of transportation methods every few hours from all over the world to its assembly factories in China.

Some of Nari's suppliers have factories based in emerging economies. The managers of a number of these suppliers use Taylor's motivation theory to motivate their employees.

The company invests heavily in projects to help local communities where it is based. It contributes some of its profits every year to charities and provides significant finance for initiatives to protect the environment.

Nari has recently experienced protectionism in its European markets as governments have limited the number of phones it can sell in their countries.

Regional breakdown of Nari's global sales in 2019

	%
USA	5
Asia	55
Europe	30
Rest of the world	10

Do not write outside the box

0 2 . 3 Nari uses a 'Just in Time' approach to manufacturing.

Analyse the ways in which this might affect Nari's profits.

[9 marks]

9

Do not write outside the box

2 1 Analyse why a business might choose to use labour intensive processes rather than capital intensive processes.

[9 marks]

Extra space

9

Answer **all** questions in the spaces provided.

Do not write outside the box

0 1 Read the information below and then answer the questions that follow.

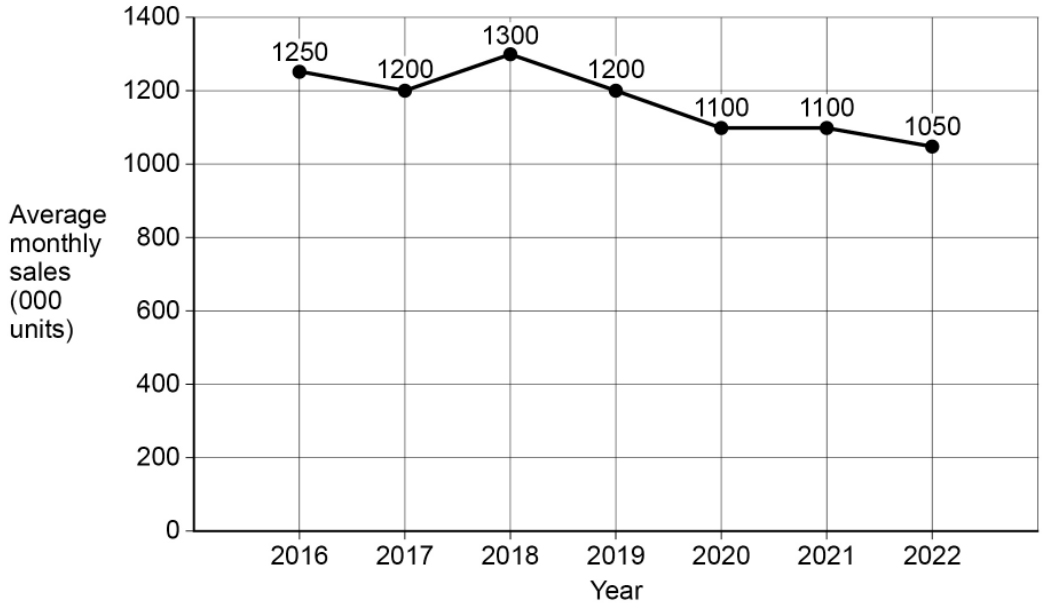
AJS plc

AJS plc is a manufacturer of non-recyclable packaging. This packaging is widely used by takeaway food outlets. AJS plc plans to invest £500 000 in new technology to increase capacity and make its factory more capital intensive.

Appendix A Data on proposed investment (produced by AJS plc's operations manager)

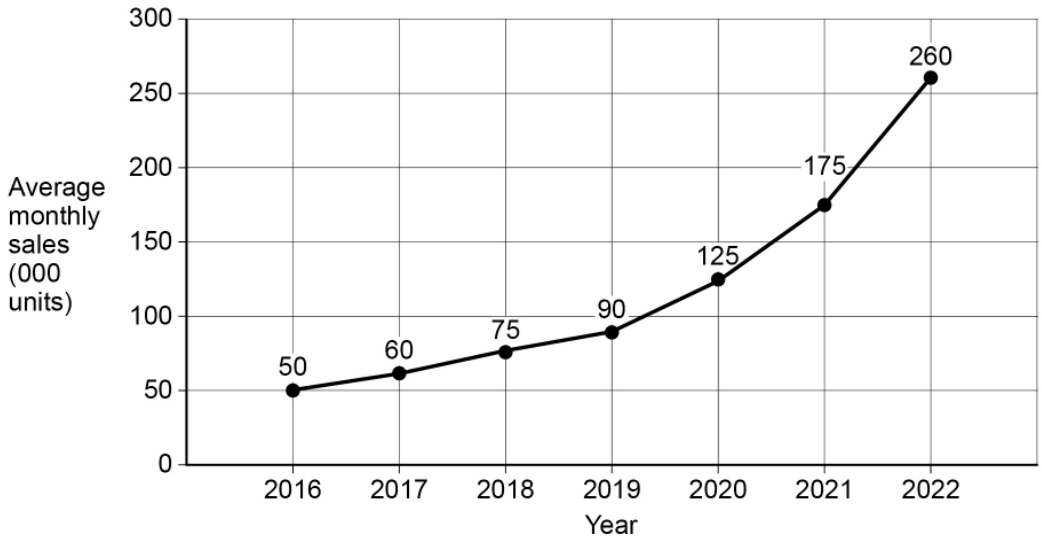
Year	Annual net cash flow £000s	Discount factor (10%)
0	(500)	1.00
1	(50)	0.91
2	250	0.83
3	600	0.75

Appendix B UK market for non-recyclable takeaway food packaging



Do not write outside the box

Appendix C UK market for recyclable takeaway food packaging



Appendix D Selected Human Resource data 2022

	AJS plc	Industry average
Average salary	£22 000	£26 000
Salary costs as a percentage of turnover (%)	40	35
Labour turnover (%)	15	4
Working days lost through industrial action	25	5
Average number of applicants for vacancies	14	55

Appendix E Selected Financial data for AJS plc

	2022
Current assets	£550 000
Current liabilities	£270 000
Non-current liabilities	£4m
Operating profit	£3m
Gearing	22%
Change in the share price of AJS plc over the year	–15%
Change in the share price of the top 100 UK companies over the year	+8%

Do not write outside the box

0 1 . 3 Analyse why AJS plc has decided to become more capital intensive.

[9 marks]

Extra space

9

Case study: Speed-e-Puds Ltd (A Level Paper 3, June 2024 insert)
The full case study for Q1 (12 marks), which follows on the next pages. Read it before answering.

Sanjay opened the first branch of Speed-e-Puds Ltd after seeing the huge growth in the dessert parlour market during the last 10 years. Driven by franchise brands such as Creams and Treatz, there are now just over 500 dessert parlours in the UK, serving waffles, pancakes and ice cream in eat-in restaurants.

Sanjay has developed a patented waffle maker, the 'SuperWaffler', which cooks perfect waffles in less than half the time of other waffle makers. This innovation is central to Speed-e-Puds Ltd's customer offer – 'desserts as tasty as anywhere, served twice as fast' – a unique selling point that appeals to its target market of young families and teenagers.

Despite his engineering background, Sanjay sees himself primarily as an entrepreneur. Sanjay now owns three successful Speed-e-Puds Ltd branches just one year after he opened his first. All three branches are very busy throughout the day, operating at high levels of capacity utilisation. This success has made Sanjay impatient to grow the business further. He believes that a Speed-e-Puds Ltd outlet in 75 cities in the UK would enable him to achieve the marketing objective he has set:

> Achieve a 15% share of the UK dessert parlour market in the next three years

A new product?

Sanjay is considering offering a new product through his Speed-e-Puds Ltd branches – slushies. These flavoured, crushed-ice drinks are served from a large machine that would take up a significant proportion of the counter in each Speed-e-Puds Ltd branch. Detailed financial information on the slushy machines has been provided by the slushy machine supplier and is shown in **Appendix B**.

Sanjay's personal financial objective is to achieve a return on investment of 25% on any money invested in his business.

Growth

Sanjay knows that opening new branches is critical to achieve his marketing objective. He faces a choice over which method of growth to use:

Option 1

Sanjay could retain tight control over Speed-e-Puds Ltd by growing purely organically. All new branches would be part of the Speed-e-Puds Ltd organisation, with Sanjay frequently meeting the managers that he appoints to run these branches.

Option 2

Sanjay could sell Speed-e-Puds Ltd franchises to entrepreneurs who are interested in owning their own Speed-e-Puds Ltd franchised outlet. In return for an initial franchise fee and a monthly payment of 10% of revenue, franchisees would be allowed to use Sanjay's patented 'SuperWaffler'. Franchisees would also receive training and support for running their business and Speed-e-Puds Ltd would provide national advertising of the brand.

Sanjay produced a SWOT analysis for his business to help him with the decision provided in **Appendix C**.

Appendix A Speed-e-Puds Ltd financial data for last year (three branches)

Revenue	£750 000
Operating profit	£200 000
Cash	£20 000
Current ratio	0.2 : 1
Gearing ratio	90%
Total equity	£100 000
Average start-up cost per branch	£100 000

Appendix B Slushy machines

Initial cost of buying each slushy machine	£750
Contribution per slushy	95p
Slushy machine supplier's forecast of number of slushies sold per branch per year	3600
Increased electricity usage each year per branch	£3000

The machines are expected to have a useful life of five years.

Turn over for Appendix C

Appendix C Sanjay's SWOT analysis of Speed-e-Puds Ltd:

Strengths:	**Weaknesses:**
• strong branding • faster cooking and service times than rivals due to 'SuperWaffler'.	• reliance on Sanjay's hands-on management style • lower gross profit margins than rivals.
Opportunities:	**Threats:**
• the dessert parlour market has grown by an average of 20% per year over the last five years • many cities have no specialist dessert parlour.	• healthy eating concerns remain a threat for all dessert parlours • demand is highly income elastic.

END OF SOURCES

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This question is based on the case study: Speed-e-Puds Ltd

A Level Paper 3, June 2024 insert. Printed in full on the pages just before this one (from page 62).

< CASE STUDY

Answer **all** questions.

Read the **case study** in the **Insert**.

Do not write outside the box

0 1 Analyse how Speed-e-Puds Ltd benefits from operating with a high level of capacity utilisation.

[12 marks]

Do not write outside the box

Extra space

4

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12

Case study: G-Free (AS Paper 2, June 2017 insert)
The full case study for Q6 (16 marks), which follows on the next pages. Read it before answering.

Source 1

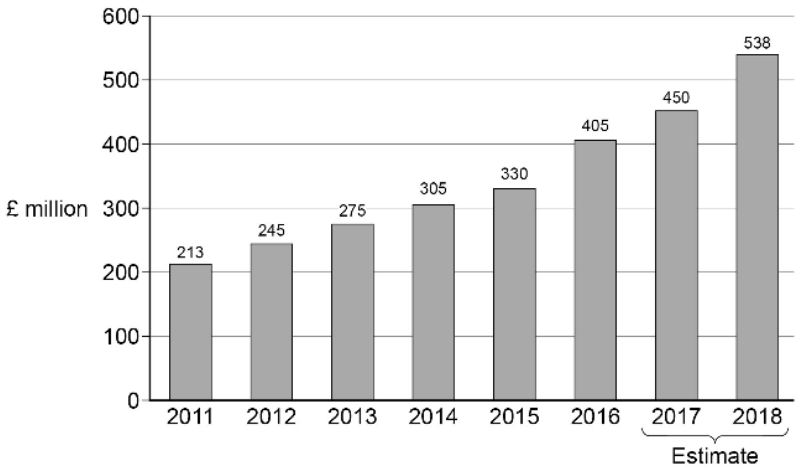
G-Free Ltd

Background

The UK market for gluten-free food is growing rapidly (see **Figure 1**). This rising demand is caused by three factors:

- greater awareness of food allergies
- some consumers believing that these foods are healthier
- the endorsement of this type of food as a 'lifestyle choice' by celebrities.

Figure 1: UK sales of gluten-free food (£ million)



The price of gluten-free food is up to 300% higher than similar products that contain gluten. This is due to the high costs of specialist ingredients, limited competition in the market, and price inelastic demand.

In 2004 chef, Stephanie Morris, started to develop gluten-free bread recipes for her son who had a severe food allergy. This bread was much better than that available in shops and she began to investigate the possibility of starting a small scale business. Initially, as a sole trader, she sold small batches of loaves in local food markets where it was well received.

In 2005 Stephanie invested a large part of her savings and left her secure job as a chef to start a bakery in a small factory. This decision involved a large opportunity cost for Stephanie, but she was optimistic that it could be worth the large risk. She found four investors to join her as co-directors of a private limited company: *G-Free Ltd*, as she was advised that limited liability would be useful. The other directors shared Stephanie's passion for the product, and had experience in manufacturing and retail distribution within the food sector.

The G-Free Ltd brand of gluten-free bread was launched in UK supermarkets in 2007 and received favourable coverage in health magazines. By 2009 it was established in the niche market of gluten-free bread and quickly became the market leader.

At first G-Free Ltd sourced ingredients from four suppliers who had specialist knowledge of the market. G-Free Ltd was a major customer for each of the suppliers and a close business relationship developed with them. The suppliers offered high-quality ingredients and flexible deliveries, but were not the largest or cheapest available.

The original small factory was described as being run using a team management approach on the Blake Mouton grid. The factory grew steadily to employ over 100 staff and in 2012 it received a regional award as being the best medium-sized business to work for. At the 'award ceremony' the judges commented favourably on:

- the high level of employee engagement
- low labour turnover
- the willingness of employees to work flexibly.

Continued growth

Success with gluten-free bread led G-Free Ltd to develop a wider range of products from cakes and biscuits to croissants and crumpets – all gluten-free and many were developed from employee suggestions. In 2014 the company invested heavily in two new large bakeries. The existing suppliers could not offer the range or volumes now needed by G-Free Ltd. Its new products and increased scale meant that G-Free Ltd required more ingredients from a rising number of suppliers.

Costs associated with this expansion were seen as the reason for the business not turning sales growth into profit.

In 2015 G-Free Ltd experienced a serious problem in its operations. Some products were found to contain traces of gluten. Flour from one of its new suppliers was contaminated. G-Free Ltd acted swiftly to withdraw the products – mindful of the importance of maintaining the trust of its customers and reviewed its quality control systems.

The continued growth of this market has recently attracted larger firms. Heinz, Nestlé and Warburtons have each launched their own gluten-free ranges. These firms have lower unit costs due to larger scale and the use of more technologically advanced systems. They also benefit from strong brand images from their other products that sell in mass markets; this has helped them enter the gluten-free niche.

The Operations Manager of G-Free Ltd believes that the company must react to this threat by reviewing its optimum resource mix, particularly as labour costs at G-Free Ltd are rising. The company plan a move towards a lean production system that will be more capital intensive. It will also aim to improve operational performance by reducing the number of suppliers it works with from 28 to 14.

The plan will see a reduction in staffing at the factories. This is opposed by the Human Resources Manager who highlights that many of the staff have stayed loyal to the company for many years.

The plan will be completed by late 2018 at a cost of £28m. The Finance Manager suggests the company fund this, and further growth, by becoming a public limited company. However, the founder, Stephanie Morris, sees herself and the original directors as key people to help ensure that the business stays true to its original aims and feels this may be threatened if the ownership is changed in this way.

Turn over for Figure 2 and Figure 3

Figure 2: Selected from G-Free Ltd Income Statements

	2015	2016	2017	2019 (est.)
Turnover £m	42.0	51.0	54.5	65.6
Gross profit £m	14.5	21.5	24.1	29.0
Gross profit margin (%)	34.5		44.2	44.2
Expenses £m	16.1	18.2	21.3	18.7
Operating profit/loss £m	-1.6	3.3	2.8	10.3
Operating profit margin (%)	-3.8	6.5	5.1	15.7

Figure 3: Selected data for G-Free Ltd

	2015	2016	2017	2019 (est.)
Number of Employees	452	510	525	440
Total Employee Costs (£m)	9.8	11.2	12.0	11.5
Average Cost per Employee (£)	21 681	21 960	22 857	26 136

END OF SOURCE

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This question is based on the case study: G-Free

AS Paper 2, June 2017 insert. Printed in full on the pages just before this one (from page 68).

< CASE STUDY

Do not write outside the box

0 6 To what extent will the planned lean production system be good for G-Free Ltd's stakeholders?

[16 marks]

Do not write outside the box

Extra space

16

Do not write outside the box

0 7 G-Free Ltd's finance manager suggests funding the £28m investment and further growth by becoming a public limited company and selling shares.

Is selling shares on the Stock Exchange the best way to raise large amounts of capital for **all** organisations?

Justify your view.

[20 marks]

Do not write outside the box

Section C

Answer **all** questions in this section.

1 6

Zoo

Sue is managing director and the sole owner of Zoo Ltd, a luxury fashion handbag business. Sue has helped the company to grow over the last forty years, taking responsibility for the key decisions for the business as a whole. She does, however, think carefully about the design of her employees' jobs. She delegates many tasks to her team in areas such as marketing and operations and is good at praising her employees for their achievements. Zoo sells through independent fashion retailers in the UK. The average price of its handbags to all UK retailers is £250.

Last year Sue's son Mike joined the business. Sue wants him to take over the company in the future. Mike had just finished his business degree at university and is eager to prove himself. Mike wants to increase the annual profits of the business by at least 60% in the next few years and make returns on all future investments of at least 25%. Until now, sales of the business have typically grown by 2% a year.

Mike has been negotiating on his own to win a contract with a very large fashion retailer, Nexia, to sell Zoo handbags. Nexia has stores in the UK and throughout Europe. Nexia has told Mike that it refuses to discuss the contract further unless Zoo has the ability to produce on a much larger scale.

For Zoo this means it would need to invest £1 500 000 in new production capacity. This would increase fixed costs by £160 000 a year but would not affect its variable costs per unit.

Mike has told Sue that there is an 80% chance that the contract will go ahead if Zoo invests in more capacity. The decision whether to invest in more capacity remains with Sue.

The bags for Nexia will be produced in addition to its current output. If Nexia is happy with sales in the first few years, bigger contracts may follow.

Appendix A: The terms of the potential contract

- Nexia will pay Zoo £200 per handbag
- Nexia would buy 10 000 handbags a year

Appendix B: Other Zoo production and finance data

- Current output of Zoo: 12 000 bags a year
- Variable costs of producing a Zoo bag: £130
- Current annual fixed costs: £660 000

Appendix C: Zoo human resource performance data 2017–2018

- Labour retention rate (% of staff staying with the business more than 5 years): 85%. Industry average: 64%.
- Labour productivity index 120. Industry average 100.

Do not write outside the box

1 6 . 1 Analyse how Sue's approach to job design might have affected Zoo's human resource performance as shown in **Appendix C**. Your answer should refer to **two** aspects of job design in Hackman and Oldham's model.

[9 marks]

Extra space

9

Do not write outside the box

16.2 Do you think Sue should go ahead with the investment in the new production capacity? Justify your answer using quantitative and qualitative information.

[16 marks]

Do not write outside the box

Extra space

Do not write outside the box

16

Do not write outside the box

1 7

Sports Success

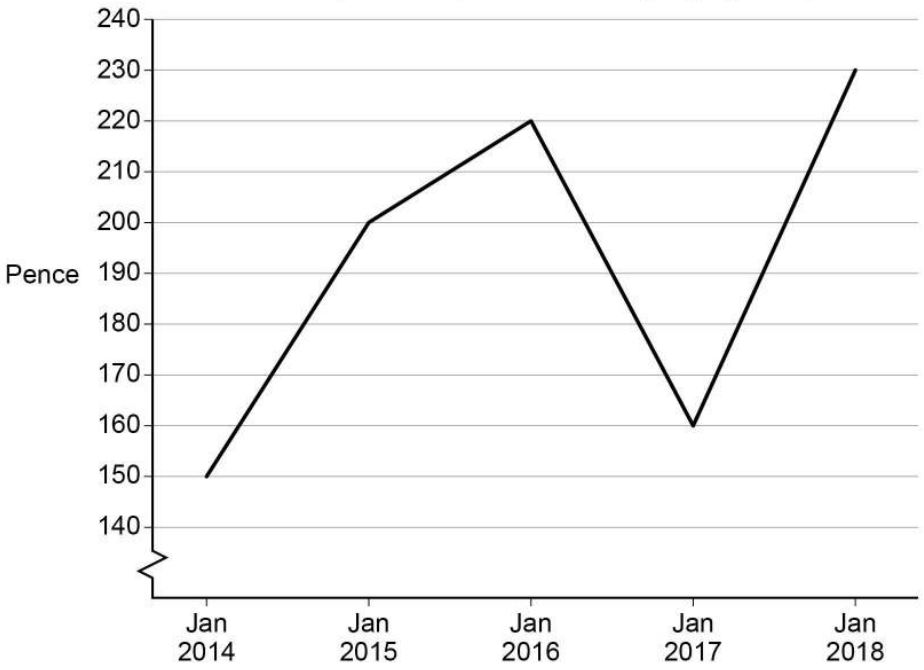
Sports Success plc is a well-known sports goods retailer operating in the UK and abroad. It employs over 20 000 people. In 2016, Sports Success was heavily criticised in the media for its treatment of staff in terms of their working conditions and pay. These announcements worried some shareholders because of the amount of negative publicity the company was receiving.

Sports Success responded to the media coverage by producing a report in January 2017 on its treatment of staff. This was seen as a positive move by the company. Although the company still does not negotiate with any trade union, it now:

- has one employee representative on the Board of Directors who is chosen by Board members. There are 11 other Directors, most of whom are senior managers
- has set up a feedback system called 'Be heard' for all staff, where they can email any issues of concern and make suggestions for improvements for staff. Senior managers have promised to read all the emails and said they will take action where they feel it is needed. Improvements that have occurred so far include free wi-fi and some improvements to the food in the canteens.

Over 20% of Sport Success' sales are online; the rest are through its stores. The company has recently invested over £200m developing its major stores. These new stores have better designs and more space for well-known brands such as Nike and Adidas. They are situated in prime retail shopping areas or out of town destinations.

Share price of Sports Success plc (in pence)



Do not write outside the box

0 2 Read the information below and then answer the questions that follow.

Daihatsu

Daihatsu is a Japanese manufacturer of small cars. Its customers are now able to customise their vehicles with car panels that they design for themselves online. Until recently customising cars was expensive because it required skilled craftsmen to produce individual parts.

With 3-D printing, panels can be produced quickly and cheaply. Customers ordering a Daihatsu car from their local dealership can design their own panels for the sides of the car to create exactly the look that they want. Offering more customisation is one way that car manufacturers are trying to gain a competitive advantage in a fiercely competitive environment.

Cars are a high value item for consumers and are usually bought on credit; the finance to buy the car is often provided by the manufacturer. In 2016 over 74 million cars were sold worldwide. This represents a global capacity utilisation in the car industry of only 78%. Some commentators predict global capacity utilisation in the industry will fall in the next few years and that many car manufacturers will respond to this situation by price cutting.

0 2 . 1 Explain how mass customisation benefits the shareholders of car manufacturers.

[6 marks]

Do not write outside the box

0 2 . 3 Many car manufacturers are expected to respond to a fall in overall capacity utilisation in the industry by cutting prices.

To what extent is cutting prices a good way for **any** business to respond to a fall in the overall capacity utilisation in its industry?

[16 marks]

Do not write outside the box

Extra space

16

Do not write outside the box

0 3 Read the information below and then answer the questions that follow.

Kento Cola

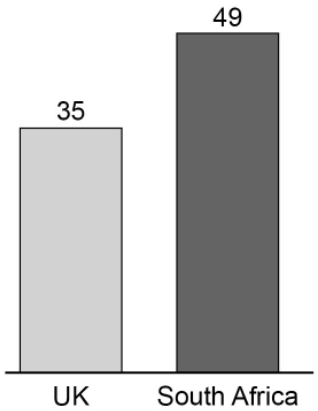
Carbonated soft drinks (CSDs), such as cola, are non-alcoholic, fizzy beverages containing flavourings, sweeteners and other ingredients. CSDs have been criticised by some commentators for contributing to an obesity crisis. The World Health Organisation is encouraging more governments to place a tax on CSDs.

Kento Cola is a drinks manufacturer based in the UK. It is presently reviewing its portfolio within Europe, which traditionally has been its biggest market. Recently the company has also been investing more money into markets outside of Europe. For example, it is set to invest £2.4 billion in Africa by 2020. Last month Kento announced a planned merger with one of South Africa's largest bottled water and still drinks producers.

Whilst other economies are in decline or experiencing slow growth, Africa is continuing to achieve high growth rates. Consumer spending, already rising, is expected to boom between now and 2024 reaching £1.7 trillion per year in 2030. However, trying to grow in any international market brings its challenges and the many countries within Africa differ significantly – for example, socially, politically, culturally and economically as well as in terms of their competitive environment.

Figure 7: A comparison of Power Distance index, one of Hofstede's cultural dimensions, between the UK and South Africa.

The rating is an index number out of 100.



Do not write outside the box

0 3 Read the information below and then answer the questions that follow.

Galin plc

Galin is a large multinational company that sells products in 10 different categories, including fabric care (eg washing powder), home care (eg furniture polish) and hair care (eg shampoo) products. It has 50 different brands and in 2018 achieved global sales of $60 billion.

Galin has chosen to have a regional organisational structure, dividing the world into six regions: North America, Europe, Asia, Latin America, the Middle East and Africa. There are major differences between these regions: for example, in terms of market conditions, labour markets and economic factors.

In 2018 Galin invested 3% of its sales revenue into research and development (compared with an industry average of 1%) and owned 55 000 patents. Its new products achieve high profit margins. When developing products, Galin encourages collaboration between people in different jobs.

An objective of the company for 2019 is to increase labour productivity.

Do not write outside the box

0 3 . 3 Galin wants to increase labour productivity.

To what extent do you think that attempts by businesses to increase labour productivity will be welcomed by employees?

[16 marks]

Do not write outside the box

Extra space

Do not write outside the box

END OF QUESTIONS

16

Case study: DWS Ltd (A Level Paper 3, June 2019 insert)
The full case study for Q3 (16 marks), which follows on the next pages. Read it before answering.

The business

DWS Ltd was founded in 1989 by Mike Chappell, who, after five years as an apprentice metalworker, set up his own business making metal tubing. The tubing is used in the manufacture of products as diverse as furniture, cars and buildings. The operations process involves buying in sheet metal and, at extremely high temperatures, shaping and joining the metal to create the shapes required by customers. DWS Ltd has always focused on producing the very highest quality products, adding significant value and charging relatively high prices.

Building a profitable business 1989–1994

DWS Ltd really struggled to attract customers in its first few years. Mike spent much of his time visiting potential clients, to try to build a loyal customer base. He often did not see his two deputy managers, in charge of operations and marketing, for several weeks – which left them waiting for advice from Mike on how he wanted their departments to operate. Money was scarce – most of the start-up capital was used to purchase expensive machinery and equipment. Mike struggled to track what was happening with the finances and often had to use an overdraft. In 1991, Mike introduced a budgeting system to help with managing the company finances. By 1994, Mike had inspired his workforce, developed a motivated and committed management team and found enough customers to create a profitable business.

Ongoing success 1994–2009

DWS Ltd grew to employ 120 staff. The business gained an outstanding record of customer satisfaction and extremely high levels of repeat business. Financial performance was excellent, allowing growth to be financed using retained profits. Mike's approach to Human Resource Management remained clear. He always expected 100% commitment from his staff. In return, staff were paid salaries above the national averages for the industry. The company invested heavily in training and at the beginning of 2008, Mike persuaded his fellow Directors to introduce a works council. Since its introduction the works council has met monthly and discusses major strategic issues facing the business. Mike has been described as a charismatic and inspirational leader whose staff are fiercely loyal to him and the business. The Human Resource data provided in **Appendix A** seems to support this view.

Responding to challenges 2009–now

Since 2009 DWS Ltd has been experiencing increased competitive pressures.

Problems have been caused by foreign rivals:

- improving their quality so that it is now much closer to DWS Ltd's levels
- charging lower prices.

In response, DWS Ltd has worked to boost its operational efficiency. In 2010 Mike introduced a new approach to operations. This new approach involved three elements:

- Just in Time production with smaller, more frequent deliveries of inventory
- a 'right first time' approach to quality assurance which involved extensive training for staff
- The creation of kaizen groups to discuss how to make improvements to the business's systems and processes.

Mike estimated that introducing lean production cost around £3 million.

An investment decision

The company aims to set objectives that balance profit and Corporate Social Responsibility. Its environmental performance is of particular interest to Mike. Prompted by increasing energy costs, the business is currently considering whether to invest £1 million in a project to fit solar panels to the roof of its factory in order to generate most of its own power from renewable sources. This is expected to lead to lower annual energy costs, although there will be some running costs – see **Appendix D**.

The future

Mike is under pressure from several Directors to adjust the corporate strategy for the next five years. Foreign rivals are becoming ever more competitive and most of Mike's attempts to cut costs have only seen limited success. Mike's proposal for the new strategy is to produce only the very highest value added, technically difficult items. This would involve stopping attempts to keep prices competitive by cutting costs. Some Directors would prefer the business to move downmarket instead. They want to target a wider market segment by reducing labour costs and levels of customer service as well as some expensive elements of being a socially responsible business.

The agenda for next week's Board meeting will feature discussion of:

- the proposed investment in solar panels
- corporate strategy for the next 5 years.

The group of unhappy Directors plan to present a SWOT analysis of DWS Ltd to Mike at the meeting.

Appendix A Human Resource performance data for DWS Ltd versus Industry average

	2003		2008	
	DWS Ltd	**Industry average**	**DWS Ltd**	**Industry average**
Labour turnover (%)	5	15	2	10
Employee costs as a % of turnover	60	48	65	50

Appendix B Operations data for DWS Ltd versus Industry average

	2008		2013	
	DWS Ltd	**Industry average**	**DWS Ltd**	**Industry average**
Faults per 1000 units made	5	12	1.5	8
Cost of 1 tonne of sheet metal (£) (DWS Ltd's raw material)	1100	1000	1350	1050
Average value of finished goods inventory (£m)	4	5	0.1	3

Appendix C Selected financial data for DWS Ltd

	2008	**2013**	**2018**
Number of customers placing orders	2400	2000	1500
Revenue (£m)	36	40	33
Profit for the year (£m)	3	2	0.2

Appendix D Investment appraisal data on fitting solar panels to reduce energy costs

Initial investment = £1m

Year	**Reduction in energy costs (£m)**	**Running costs to maintain solar panels (£m)**
1	0.3	0.2
2	0.7	0.3
3	1.0	0.3
4	1.3	0.3

END OF SOURCES

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This question is based on the case study: DWS Ltd
A Level Paper 3, June 2019 insert. Printed in full on the pages just before this one (from page 88).

< CASE STUDY

Do not write outside the box

0 3 In 2010 Mike introduced a new approach to operations in response to competitive pressures (lines 34–40).

Using data from **Appendix B** and the **other information provided**, evaluate the extent to which this new approach has been successful.

[16 marks]

Do not write outside the box

Extra space

Do not write outside the box

16

Case study: AM plc (Aerial Manufacturing plc) (A Level Paper 3, November 2021 insert)
The full case study for Q3 (16 marks), which follows on the next pages. Read it before answering.

The past

Aerial Manufacturing plc (AM plc) manufactures toys. For 20 years the business has made remote-controlled toy aircraft, drones and helicopters. These have been sold through retailers in the UK. Shortly after the company was founded, it moved all its manufacturing operations to a factory in China. This allowed AM plc to take advantage of cheap manufacturing costs – primarily due to the low wages paid to factory workers in China at the time. The company's headquarters – including its product design department – stayed in the UK.

A new boss

A new Chief Executive, Roger Hicks, was appointed a few months ago. Prompted by shareholder dissatisfaction over low profitability, he was given two main objectives:

- increase sales turnover quickly
- increase dividend payments to shareholders by 2025.

Roger immediately analysed the existing strategic position of the business. He knew that recent rises in wage rates in Chinese factories meant that wage rates there are now closer to those in the UK. He analysed performance data from the AM plc factory (Appendix A) and visited the factory. He found what Blake and Mouton would describe as a 'produce or perish' style of management. Unlike similar factories in China, which use a 'middle of the road' style, AM plc's factory relied on a high division of labour where each worker completed one small repetitive task. Supervisors were paid a bonus according to the output per worker for their section. As a result, rest breaks had been shortened and shifts extended by supervisors desperate to achieve bonuses for themselves. Following his review, Roger knew things had to change and introduced a new corporate strategy.

A new corporate strategy

AM plc will no longer make toys or sell through retailers. Roger's new strategy will build on the company's existing expertise in manufacturing remote-controlled aircraft and drones but targeting different customers. AM plc will design and manufacture sophisticated drones to be used by businesses which need an aerial capability as part of their operations. Drones are used in many industries including agriculture, construction and distribution. Roger intends to produce a range of drones specialising in inspection, high-quality video footage and parcel delivery.

AM plc will be selling directly to businesses. Roger is confident that this strategy offers opportunities for huge growth as it is founded on the company's core competence of designing and manufacturing drones. Instead of trying to be a cheap supplier in the mass market for toys, the business will switch to a strategy of focused differentiation. Differentiation will come from being a long-established business in the industry with exceptionally high-performing and durable products. Market research is encouraging, with sales forecasts shown in Appendix B.

A new site

Roger believes he must move AM plc's manufacturing back to the UK. His operations director has identified two possible sites for a new factory. Site A is 30 miles from London. The area offers an attractive place to live and work, easy access to many potential customers' headquarters and good transport links to the rest of the UK. Site B is in the North West of England. After the recent closure of a nearby car factory, local unemployment is high. Site B is £2m cheaper than Site A and close to a port, therefore offering easy shipping for exports. Further data about each site is in Appendix C.

A new factory

Roger's vision of the new factory focuses on highly skilled workers using advanced robotics. Output will be of exceptionally high levels of quality, but with the flexibility to adjust the products being made to suit individual customers' specific requirements. Roger will use a 'Just in Time' system at the new factory. This will have implications for the frequency and size of deliveries, cash flow and the inventory turnover ratio.

Building a factory will be a complex process involving thousands of different activities. Roger understands the challenges involved in planning and managing a project of this size. In a former job as project manager for a multinational manufacturer, he had supervised the construction of several factories. He intends to use network analysis to identify the critical path. The existing factory in China will be closed in ten months and Roger is confident the new factory will be operational by then.

Finances

Roger has allocated a total budget for the change in strategy of £10m. Much of that will be spent on the new site, factory and production equipment, with the rest available for marketing. He has a bank loan arranged to borrow up to the full £10m.

Roger is confident that his decisions will lead to success in meeting his two objectives.

Appendix A 2020 performance data on AM plc's Chinese factory and similar factories in China

	AM plc Chinese factory	Average for similar factories in China
Unit cost	£23	£25
Productivity (units of output per worker per month)	240	200
Labour turnover	40%	15%
Defect rate per 1000 products	80	10

Appendix B Sales forecasts for AM plc based on quantitative market research

Years after change of strategy	Sales volume (units sold)	Sales value (£m)
Year 1	2300	11.5
Year 2	2800	14
Year 3	4000	20
Year 4	6000	30

Appendix C Information on possible sites for AM plc's new factory

	Site A	Site B
Initial investment (purchase of land plus factory construction and production equipment)	£8m	£6m
Average selling price per unit	£5000	£5000
Fixed costs per year	£6m	£4.5m
Variable costs per unit	£2500	£3000
Maximum capacity (units per year)	10 000	8000

Appendix D Extracts from latest annual accounts for AM plc

	£m
Sales turnover	22
Cost of sales	20
Inventories	5
Other current assets	1
Current liabilities	6
Non-current liabilities	5
Total equity	15

END OF SOURCE

This question is based on the case study: AM plc (Aerial Manufacturing plc)
A Level Paper 3, November 2021 insert. Printed in full on the pages just before this one (from page 94).

< CASE STUDY

Do not write outside the box

0 3 AM plc will use a 'Just in Time' system at its new factory.

To what extent do you agree that this is a good idea?

[16 marks]

Do not write outside the box

Extra space

10

Do not write outside the box

16

Case study: Logger Boards Ltd (A Level Paper 3, June 2023 insert)
The full case study for Q3 (16 marks), which follows on the next pages. Read it before answering.

Bodhi Doyle started surfing when he was just 5 years old. Forty years later, he is the owner and manager of a successful company that specialises in manufacturing professional-quality surf boards using only recycled materials. Bodhi owns 100% of the shares of Logger Boards Ltd; a business which dominates its niche market.

Throughout the company's 25-year history, it has followed Bodhi's founding mission:

'Logger Boards Ltd exists to intensify the thrill of riding waves while helping nature recover in its battle with humanity.'

The business has grown from a one-man operation to fill a small workshop with five full-time highly skilled employees creating environmentally friendly, top-quality surfboards.

From the very beginning, Bodhi's products have been popular, while several mass-market UK-based surfboard manufacturers have struggled to survive. Logger Boards Ltd has had chances to buy these businesses cheaply in order to expand. Bodhi has declined these opportunities. He also recently turned down a chance to take over Logger Boards Ltd's specialist paint supplier.

Bodhi has worked tirelessly to seek out the very best recycled materials to ensure that his boards meet the demands of the world's best surfers. The workshop is now powered completely by renewable energy sources from an onsite wind turbine and a solar-panelled roof. Any waste-water generated is filtered onsite and reused wherever possible. However, with sales at a record high, Bodhi knows that the cramped conditions in the workshop, combined with a lack of storage space for materials, have reduced efficiency.

Demand for Logger Boards Ltd surfboards is expected to keep growing. Bodhi has conducted careful planning for a possible new production facility on the existing site that will allow the business to increase total capacity. This would enable the business to:

- keep all of its environmentally friendly systems
- create space for more output
- employ more workers if needed.

Bodhi's thorough research has generated forecast data, shown in **Appendix A**. The cost of building the new production facility is estimated to be £500 000. Logger Board's Ltd's bank has offered a long-term loan for this amount, at an annual interest rate of 5%. Further financial information for Logger Boards Ltd is provided in **Appendix B**.

Demand for Bodhi's surfboards has grown without the need for promotional expenditure. Bodhi's approach to promotion has been to rely solely on Logger Board's Ltd's social media account on Instagram. Bodhi posts pictures and videos on this account. He has become an 'accidental' influencer with 200 000 followers. The content focuses less on the business and more on Bodhi's surfing lifestyle and personal environmental beliefs. Details of Logger Boards Ltd's followers and customers are shown in **Appendix C**.

Bodhi remains undecided about his expansion plans – he has always aimed to minimise the level of risk involved in any business decision he has made. He is also concerned that a larger business may be harder to control, especially given his passion for ensuring that Logger Boards Ltd's mission remains central to the way the business

operates. Although his bank manager has suggested that communication and organisational structure will be vital to the success of the growth strategy, Bodhi feels that his leadership will be the most important aspect if the strategy is to succeed. 45

Appendix A Data for current workshop and forecast for new production facility

	Current workshop	**Forecast for first year in new production facility**
Productivity (units per worker per year)	500	600
Total cost per unit (£s)	350	350
Output (units per year)	2 500	3 000
Capacity (units per year)	2 500	7 500
Fixed costs	£125 000	£250 000
Percentage of waste that is recycled	98	95

Turn over for Appendix B

Appendix B Current financial data for Logger Boards Ltd (before new production facility)

Table 1 Balance sheet (statement of financial position) extracts

	£000s
Current assets	246
Current liabilities	120
Non-current liabilities	400
Total equity	1 000

Table 2 Income statement extracts

	£000s
Sales turnover	1 125
Cost of sales	750
Expenses	125
Finance cost (interest paid on loans)	20
Profit for the year	230

Appendix C Data on Logger Boards Ltd customers and social media followers

Figure 1 Age profile of Logger Boards Ltd customers and social media followers

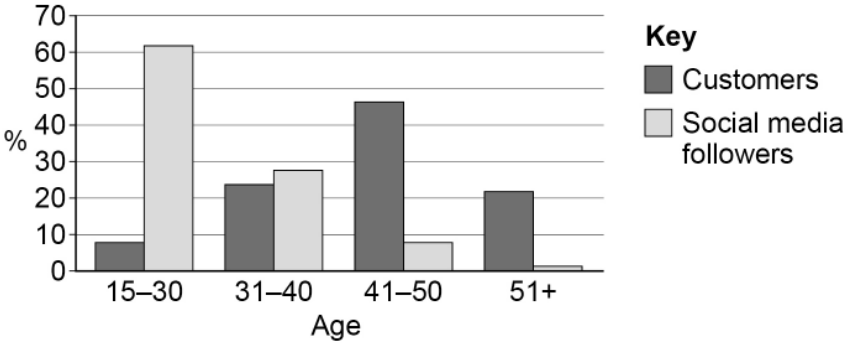
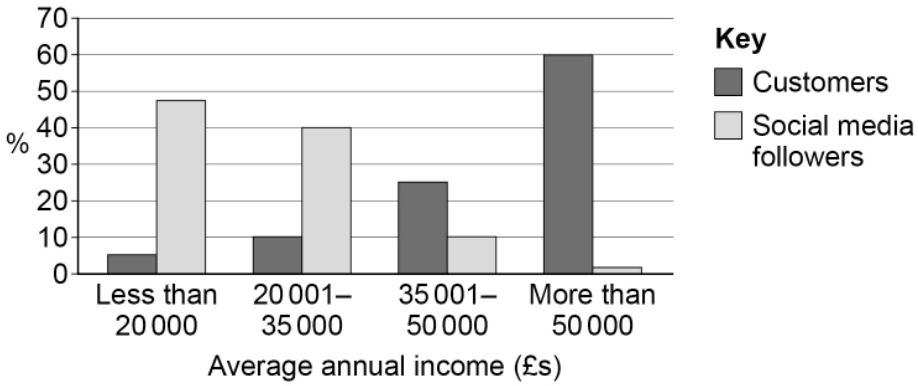


Figure 2 Average income of Logger Boards Ltd customers and social media followers



END OF SOURCES

This question is based on the case study: Logger Boards Ltd

A Level Paper 3, June 2023 insert. Printed in full on the pages just before this one (from page 101).

< CASE STUDY

Do not write outside the box

0 3 To what extent does the data in **Appendix A** suggest that building the new production facility will improve Logger Boards Ltd's operational efficiency?

[16 marks]

Do not write outside the box

Extra space

10

Do not write outside the box

16

Case study: Vignal Babbel Motors (VBM) (A Level Paper 3, June 2025 insert)
The full case study for Q6 (24 marks), which follows on the next pages. Read it before answering.

Vignal Babbel Motors (VBM)

Background information

Vignal Babbel Motors (VBM) is a car manufacturer based in Europe, with roots dating back over 100 years.

The car industry has changed rapidly in the last 20 years and the business has struggled to keep up with the pace of external change. VBM's previous success was based on a core competence of designing and building extremely efficient, reliable and long-lasting diesel engines.

Over 100 European cities have now introduced legislation creating low emission zones. This means that most diesel-powered vehicles' owners have to pay a daily fee to enter these zones. In addition, several European countries have announced that sales of new petrol- and diesel-powered vehicles will be banned in the future (see **Appendix A**). As a result, sales of diesel-powered vehicles have begun to fall rapidly in VBM's traditional European markets (see **Appendix B**).

VBM only began work on developing electric vehicles five years ago. The company does not expect to launch an electric-powered vehicle until next year. Many competitors are already selling large volumes of electric vehicles.

VBM's sales in Europe have fallen due to increased environmental concerns. However, demand for VBM's traditional diesel-powered vehicles has been rising in some parts of South-East Asia, particularly Vietnam. The directors have started to discuss plans to build and operate a new factory in Vietnam to meet the rising demand in its South-East Asian markets.

Internal conflict

Meetings of the Board of Directors have been difficult for the last few years. Several directors have argued that the company must fight hard to maintain its share of the European market. They argue for the need to show loyalty to the company's employees and traditional customer base in Europe. They hope this will avoid the bad publicity caused by factory closures and the related redundancies.

However, another group of directors has stressed the need to better match capacity to changing global patterns of demand. This group proposes a strategy of retrenchment – closing three of VBM's four European factories. These closures would mean around 5000 redundancies. VBM would maintain just one European factory that would concentrate on producing electric vehicles for the European market. The capital released could be used to fund the construction of the proposed factory in Vietnam.

Major changes agreed

The proposals to retrench VBM's European operations and build the factory in Vietnam were approved at last month's annual shareholders' meeting. Since then, plans have been developed for the opening of the Vietnamese factory (see **Appendix C**). VBM's Operations Director is leading the project. He has drawn up a network diagram showing that the factory could be opened in a year.

The HR Director has warned that the diagram is based on some optimistic assumptions:

'We have no experience of operating in Vietnam. We will need to understand recruitment systems and legislation plus train staff to operate the technology that we plan to use in the factory.'

The HR Director has advised that:

- the time allowed for recruitment should be increased by one month
- training the new workforce will take two months longer than initially predicted.

Retrenchment in Europe

Meanwhile, a retrenchment plan has been developed. This plan deals with:

- the process of closing three European factories
- adjusting VBM's marketing strategy to selling electric vehicles instead of petrol- and diesel-powered vehicles in Europe.

The plan also:

- outlines how and when announcements of factory closures plus 5000 redundancies will be made
- includes details of the redundancy settlements required for staff
- details the HR department's role in consulting with stakeholder groups on how to reduce the effects of the factory closures.

Appendix A

Table 1 Selected places where legislation has been passed, banning sales of new petrol- and diesel-powered vehicles, showing date when ban starts

Place	Start of ban
Norway	2025
UK	2030
EU	2035
California (USA)	2035
Quebec (Canada)	2035
China	2035

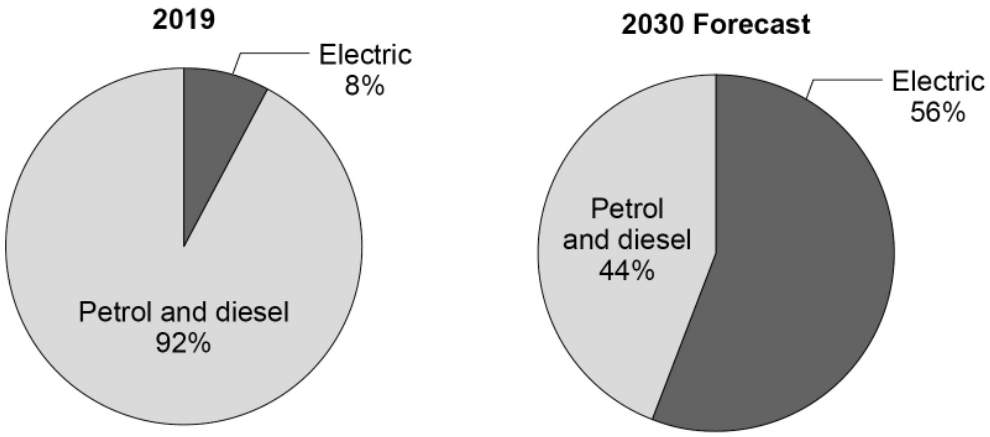
Turn over for Appendices B and C

Appendix B Total car sales by power source

Table 2 Percentage of total car sales in the EU that use diesel engines

Year	Diesel-powered vehicles' share of European Union car market
2015	52%
2019	32%
2025 (forecast)	17%

Figure 1 Global car sales market share by power source

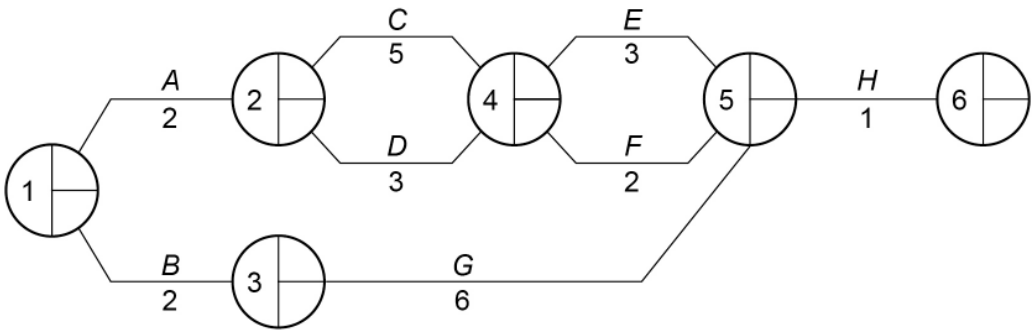


Appendix C

Table 3 Data used to construct network diagram in **Figure 2**

Activity		**Operations Director's expected duration (Months)**
A	Prepare site	2
B	Recruit workforce	2
C	Build factory building	5
D	Purchase production equipment	3
E	Find and contract suppliers	3
F	Install equipment	2
G	Train workforce	6
H	Test production line	1

Figure 2 Network diagram for new factory opening



END OF SOURCES

This question is based on the case study: Vignal Babbel Motors (VBM)
A Level Paper 3, June 2025 insert. Printed in full on the pages just before this one (from page 108).

< CASE STUDY

Do not write outside the box

0 6 Effective capacity management involves ensuring a business has the right level of capacity in the right place to match demand.

To what extent is effective capacity management always harder for large, multinational businesses than small businesses?

[24 marks]

Do not write outside the box

Extra space

20

Do not write outside the box

21

Do not write outside the box

Turn over ►

22

Do not write outside the box

Do not write outside the box

Do not write outside the box

24

END OF QUESTIONS

Do not write outside the box

Section D

Answer **either** Question 23 **or** Question 24.

Shade the lozenge below to indicate which optional question you have answered.

Question 2 3 ⬭ Question 2 4 ⬭

CORRECT METHOD ⬬ WRONG METHODS ⊗ ◉ ⬭ ✓

2 3 To what extent does rapid change in the external environment mean that strategic drift is inevitable for a business?

[25 marks]

OR

2 4 Will the introduction of lean production always lead to lower unit costs?

Justify your view.

[25 marks]

Do not write outside the box

Do not write outside the box

Extra space

Do not write outside the box

24

Do not write outside the box

25

Do not write outside the box

25

END OF QUESTIONS

Do not write outside the box

1 0 Which of the following statements is true?

A If labour productivity has increased a business must be producing more output. ⬭

B If market capitalisation increases dividends must increase. ⬭

C Quality assurance focuses more on preventing errors than identifying them. ⬭

D Redundancy occurs when a person is moved to another job within the organisation. ⬭

[1 mark]

10

Turn over for Section B

Do not write outside the box

0 9 **Statement 1:** 'In a network diagram, the path with the lowest total float time is the critical path.'

Statement 2: 'In a network diagram, at least one activity must have a float time.'

Read statements 1 and 2 and select the correct option from the following options.

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

1 0 **Statement 1:** 'A business might improve the quality of its product in order to make its demand more price elastic.'

Statement 2: 'A business might improve the quality of its product in order to increase added value.'

Read Statements 1 and 2 and select the correct option from the following options.

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

Do not write outside the box

1 0 The data in the table refers to a company's production of a product.

Between 2020 and 2021 there was a decrease in the unit costs of the product.

	2020	2021
Capacity	80	125
Actual output	80	100

Statement 1: 'Between 2020 and 2021, economies of scale might have led to lower unit costs.'

Statement 2: 'Between 2020 and 2021, higher capacity utilisation might have led to lower unit costs.'

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

1 1 **Statement 1**: 'A business might improve the quality of its product in order to make its demand more price inelastic.'

Statement 2: 'A business might improve the quality of its product in order to achieve a competitive advantage.'

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

Do not write outside the box

Section B

Answer **all** questions in this section.

1 1 A business manufactures high volumes of cakes for a leading supermarket.

Explain **one** advantage for this business of using a system of quality assurance as a method of managing quality.

[3 marks]

3

1 2 The following data applied to a business in 2024.

Total contribution (£)	Fixed costs (£)	Sales (units)
168 000	127 200	350

Calculate the business' margin of safety for 2024.

[4 marks]

4

Do not write outside the box

0 3 Read the information below and then answer the questions that follow.

Chillax Ltd

Chillax Ltd runs six luxury health spas in southern England. Health spas offer health and beauty treatments such as steam baths, exercise and massage. Chillax Ltd's customers expect high levels of service.

The business focuses on quality. It emphasises the importance of getting the customer experience right. It feels this is more about how employees interact with customers than the facilities in each health spa. The quality of customer experience is monitored through frequent customer surveys using the Chillax App. The business regularly has positive reviews online.

Chillax Ltd invests heavily in training, consults regularly and provides frequent feedback to staff. It feels that its high level of employee engagement has many benefits and ultimately ensures happy customers.

Chillax Ltd is unusual in the Health and Beauty sector in that many businesses in that sector have very high rates of labour turnover averaging over 30%.

Table 2 Selected employee data for Chillax Ltd for 2020 (31 December 2020)

Number of employees on 1 January 2020	180
Employees leaving during the year	24
Employees staying all year	162

0 3 . 1 Using **Table 2** calculate the employee retention rate for Chillax Ltd in 2020.

[2 marks]

2

Do not write outside the box

0 3 . 2 Analyse how Chillax Ltd benefits from its focus on quality.

[6 marks]

6

Question 3 continues on the next page

Do not write outside the box

0 3 Read the information below and then answer the questions that follow.

Dodo

Dodo is a small, growing, low-cost airline offering flights between the UK and Europe. The airline is seeing high demand for its flights due to its competitive pricing. It is able to keep its prices low due to its low-cost business model. The business model includes:

- making effective use of its non-current assets by using quick turnaround times which allow its planes to fly more hours a day than traditional airlines
- flying to cheaper airports rather than larger, more expensive airports such as London Heathrow
- using its own website for customers to book directly, avoiding the need to pay commission to other businesses
- making food, baggage and choice of seat optional extras rather than including them in the basic product offering.

Dodo currently has around 5000 permanent staff and sees its staff as key to the quality of service that it offers. Airline staffing needs are complex with a variety of different roles required. Some roles such as pilots and aircraft engineers require significant training that can take many months to complete. In addition, many staff spend most of their working day away from the company offices. Dodo sets and regularly reviews HR objectives in relation to:

- number of employees
- employee engagement.

Measures of quality that Dodo focuses on are:

- punctuality, measured using percentage of flights on time
- customer complaints, measured by number of complaints per 1000 customers.

Do not write outside the box

0 3 . 2 Analyse how Dodo would benefit from being the best in its market for its chosen quality measures.

[9 marks]

Extra space

9

Case study: VeganLife Ltd (AS Paper 2, June 2022 insert)
The full case study for Q7 (16 marks), which follows on the next pages. Read it before answering.

VeganLife Ltd

VeganLife Ltd (VL) is a manufacturer and online supplier that sells vegan female toiletries. Vegan goods are made using no animal-based products. VL operates in a niche market. It sells its products to other businesses such as supermarkets and department stores and also directly to individual customers. As this niche market grows at a fast rate every year, VL faces a growing threat to its market share from competitors, especially large businesses.

VL sources raw materials from countries around the world and it manufactures these into products such as soap, shower gel and makeup. VL packages and then sells the products to its customers who order through the website. VL tries to be ethical and environmentally responsible. It uses Fairtrade suppliers often located a long way away. VL tries to keep its waste and pollution as low as possible.

Figure 1 Market and VL Information

	2020
Market size	£50 million
VL market share	15%
Costs of sales for VL	£3.25 million

At the factory and warehouse there are currently two managers, two assistant managers and 30 full-time and part-time staff. The staff have their own specific job roles:

- machine operators
- quality control supervisor
- packaging staff
- general cleaning and maintenance staff
- office staff.

VL has high labour turnover compared to similar businesses. According to some staff this is due to low pay and 'repetitive and boring' tasks. Factory and warehouse staff complain about the high level of supervision, due to managers having narrow spans of control. Office staff say they are frustrated at the lack of feedback they receive on their work, and feel under-valued.

VL has one staff member in charge of quality control. Recently there have been a large number of quality issues with some products. The main problem is with the packaging of the products. Some of it has split, causing products to leak. When this happens, VL has to refund customers and/or replace its products.

The quality issues are causing VL to lose some loyal customers and are affecting its reputation. The Operations Manager suggests that VL should introduce a quality assurance system to the factory and warehouse. The system would initially cost £100 000 and would require all staff to be trained to use it, with further training whenever the system is updated. VL knows that its competitors use a similar system. The Operations Manager feels this is a good way to remain competitive.

VL has grown quickly in a short time and has been a profitable company that has paid rising dividends to its shareholders every year. The shareholders have made it clear they expect this to continue. However, cash flow is a problem. Recently a large business stopped trading,

owing VL £350 000. VL often struggles to keep up with the increasing demand from customers. It does not always have the cash to buy the raw materials to meet the orders, and not all of its suppliers will sell to VL on credit. Additionally, some of its customers do not always pay on time. VL often has to ask the bank to increase its overdraft. Currently VL is £550 000 overdrawn, and the interest rate is set to increase.

Emma, the Managing Director, thinks the quality assurance system is a good idea, but feels spending £100 000 of its profits is a risk. She believes the motivation issues amongst the staff need addressing more urgently.

Due to changes in demographics, such as an increase in the population size of the UK and the change in age structure, the markets for toiletries and vegan products are growing. New products are being launched weekly and new competitors are entering the markets. Emma has noticed through her own primary market research that there is a significant increase in the sales of vegan male toiletries. She does not have any marketing qualifications but has been collecting data from focus groups she has set up. She believes that targeting the vegan male toiletries market is the best way to make a profit and help VL's cash flow position. From her research she estimates that it would need a large investment for a new online advertising campaign for a vegan male shower gel.

Figure 2 Financial forecast data for vegan male shower gel

Fixed costs	£15 000
Total variable costs for 1000 units	£750
Selling price	£6.75

Figure 3 Focus group responses (sample size 20) vegan male toiletries

	2017	**2018**
Amount spent on toiletries in last shop visit	£21	£23
Would you consider buying vegan toiletries?	Yes	Yes
How much would you be willing to spend on vegan toiletries?	£8 per item	£9 per item

END OF SOURCE

This question is based on the case study: VeganLife Ltd
AS Paper 2, June 2022 insert. Printed in full on the pages just before this one (from page 133).

< CASE STUDY

Do not write outside the box

0 7 VeganLife Ltd wants to introduce a new quality assurance system. Evaluate the impact that a quality assurance system could have on the competitiveness of VeganLife Ltd.

[16 marks]

Do not write outside the box

Extra space

16

Do not write outside the box

Section D

Answer **either** Question 23 **or** Question 24.

Shade the lozenge below to indicate which optional question you have answered.

Question 2 3 ⬭ Question 2 4 ⬭

CORRECT METHOD ⬬ WRONG METHODS ✗ ● ✓ ✓

2 3 'Emerging economies are beneficial to UK businesses, but only as potential markets to help UK businesses to achieve growth.'

Do you agree? Justify your view.

[25 marks]

OR

2 4 A business decides to make increasing profits its main objective.

Is it inevitable that this business will need to improve its quality to achieve this objective? Justify your view.

[25 marks]

Do not write outside the box

Do not write outside the box

Extra space

24

Do not write outside the box

25

Do not write outside the box

Turn over ►

2 5

Do not write outside the box

25

END OF QUESTIONS

Do not write outside the box

Section D

Answer **either** Question 23 **or** Question 24.

Shade the lozenge below to indicate which optional question you have answered.

Question 2 3 ⬭ Question 2 4 ⬭

CORRECT METHOD ⬬ WRONG METHODS ✗ ● ✓ ✓

2 3 'The need to continue investment is the most significant difficulty facing a business which is trying to maintain a competitive advantage.'

To what extent do you agree?

Justify your view.

[25 marks]

OR

2 4 'A system of quality assurance will always lead to greater profits than a system of quality control.'

Do you agree?

Justify your view.

[25 marks]

Do not write outside the box

Do not write outside the box

Extra space

25

Do not write outside the box

Turn over ►

2 5

Do not write outside the box

Do not write outside the box

25

END OF QUESTIONS

Do not write outside the box

0 5 Which of the following sources of finance is used primarily for short-term uses?

A Debt factoring ⬭

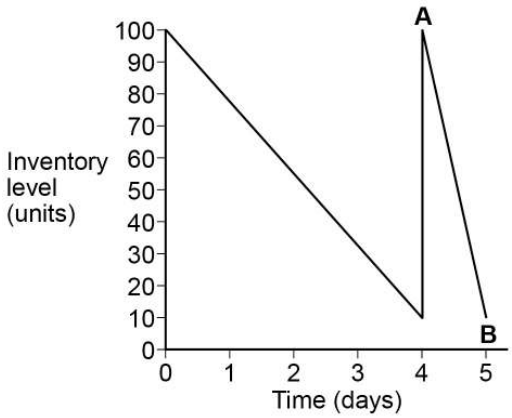
B Share capital ⬭

C Sale of buildings ⬭

D Venture capital ⬭

[1 mark]

0 6 In the diagram below the change in the level of inventory between points **A** and **B** indicates that there was:



A An increase in the quantity demanded by customers ⬭

B An increase in the lead time ⬭

C An increase in the re-order quantity ⬭

D An increase in the maximum level of inventory ⬭

[1 mark]

Do not write outside the box

0 7 According to Hackman and Oldham's job characteristics model, meaningfulness of work is obtained through some of the following factors.

Which of the factors does **not** fit in with Hackman and Oldham's model?

A Financial reward ⬭

B Skill variety ⬭

C Task identity ⬭

D Task significance ⬭

[1 mark]

0 8 The following data relates to the financial position of Whittaker plc for the 2015–2016 financial year.

- Revenue: £25 750 million
- Dividends paid: £2 655 million
- Gross profit margin: 24.5%
- Net profit margin: 5.6%

Whittaker plc's gross profit for the 2015–2016 financial year was:

A £1 442.00 million ⬭

B £148.68 million ⬭

C £650.48 million ⬭

D £6 308.75 million ⬭

[1 mark]

0 9 Actual output for a factory in April 2017 was 35 500 units and its maximum possible output was 46 500. What was its capacity utilisation?

A 73.09% ⬭

B 76.34% ⬭

C 82.13% ⬭

D 83.25% ⬭

[1 mark]

Do not write outside the box

0 7 **Statement 1:** 'If its product is perishable, a business is likely to have a high buffer level of inventory'.

Statement 2: 'If a business buys its materials from a just-in-time supplier in the same town, there is likely to be a long lead time for supplies'.

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

0 8 The data in **Table 2** refer to Abacus plc in 2018 and 2019.

Table 2

	2018	2019
Number of employees	20	40
Output (units)	50	100
Capacity (units)	100	200

Statement 1: 'Labour productivity has stayed the same between 2018 and 2019'.

Statement 2: 'Capacity utilisation has stayed the same between 2018 and 2019'.

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

Do not write outside the box

0 6 Which one of these stakeholders is least likely to have their needs satisfied by a company?

[1 mark]

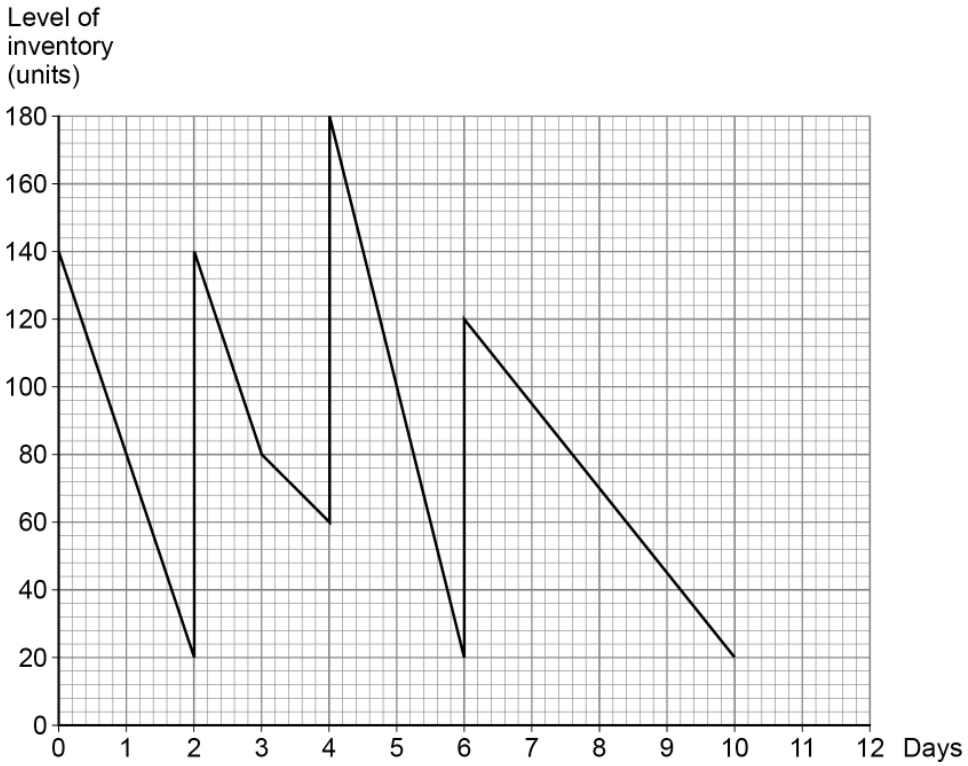
A Competitors ⬭

B Employees ⬭

C Shareholders ⬭

D Suppliers ⬭

Questions 7 and 8 are based on the diagram below.



Do not write outside the box

0 7 Daily demand for the product was highest between days:

[1 mark]

A Day 0 to end of day 2 ⬭

B End of day 3 to end of day 4 ⬭

C End of day 4 to end of day 6 ⬭

D End of day 6 to end of day 10 ⬭

0 8 The lead time is one day. On which day was the reorder quantity changed?

[1 mark]

A Day 2 ⬭

B Day 3 ⬭

C Day 5 ⬭

D Day 6 ⬭

0 9 Which of the following formulae measures market growth in 2021?

[1 mark]

A $\frac{\text{Market sales in 2020} - \text{Market sales in 2021}}{\text{Market sales in 2021}} \times 100$ ⬭

B $\frac{\text{Market sales in 2020} - \text{Market sales in 2021}}{\text{Market sales in 2020}} \times 100$ ⬭

C $\frac{\text{Market sales in 2021} - \text{Market sales in 2020}}{\text{Market sales in 2021}} \times 100$ ⬭

D $\frac{\text{Market sales in 2021} - \text{Market sales in 2020}}{\text{Market sales in 2020}} \times 100$ ⬭

Do not write outside the box

0 6 Which one of these stakeholders is least likely to have their needs satisfied by a company?

[1 mark]

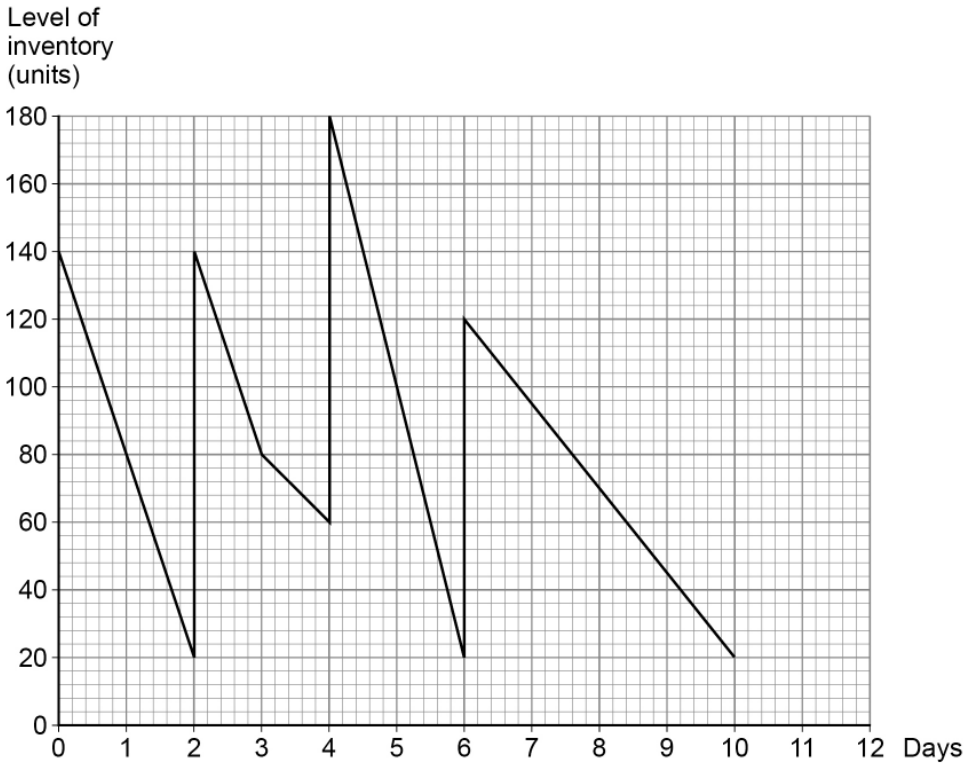
A Competitors ⬭

B Employees ⬭

C Shareholders ⬭

D Suppliers ⬭

Questions 7 and 8 are based on the diagram below.



Do not write outside the box

0 7 Daily demand for the product was highest between days:

[1 mark]

A Day 0 to end of day 2 ⬭

B End of day 3 to end of day 4 ⬭

C End of day 4 to end of day 6 ⬭

D End of day 6 to end of day 10 ⬭

0 8 The lead time is one day. On which day was the reorder quantity changed?

[1 mark]

A Day 2 ⬭

B Day 3 ⬭

C Day 5 ⬭

D Day 6 ⬭

0 9 Which of the following formulae measures market growth in 2021?

[1 mark]

A $\frac{\text{Market sales in 2020} - \text{Market sales in 2021}}{\text{Market sales in 2021}} \times 100$ ⬭

B $\frac{\text{Market sales in 2020} - \text{Market sales in 2021}}{\text{Market sales in 2020}} \times 100$ ⬭

C $\frac{\text{Market sales in 2021} - \text{Market sales in 2020}}{\text{Market sales in 2021}} \times 100$ ⬭

D $\frac{\text{Market sales in 2021} - \text{Market sales in 2020}}{\text{Market sales in 2020}} \times 100$ ⬭

Do not write outside the box

0 3 **Statement 1**: 'A founder of a small business may choose to remain as a sole trader in order to retain full control of decisions.'

Statement 2: 'A founder of a small business may choose to remain as a sole trader in order to limit his liability for debts.'

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

0 4 A business manufactures one product on a large scale. If the business introduces mass customisation, which of the following is **least** likely to occur?

[1 mark]

A Greater responsiveness to changes in consumer tastes ⬭

B Higher added value ⬭

C More flexible machinery ⬭

D Reduced unit costs ⬭

0 5 **Statement 1**: 'Total revenue = Total costs + profit'

Statement 2: 'Total contribution = (Contribution per unit × quantity) + fixed costs'

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

Do not write outside the box

0 6 **Statement 1:** 'A finance department delegating responsibility for budgetary management to each functional area within a business is an example of outsourcing.'

Statement 2: 'Producing to order can allow a business to improve the way it matches supply to meet demand.'

Read statements 1 and 2 and select the correct option from the following:

[1 mark]

A Statement 1 is true. Statement 2 is true. ⬭

B Statement 1 is true. Statement 2 is false. ⬭

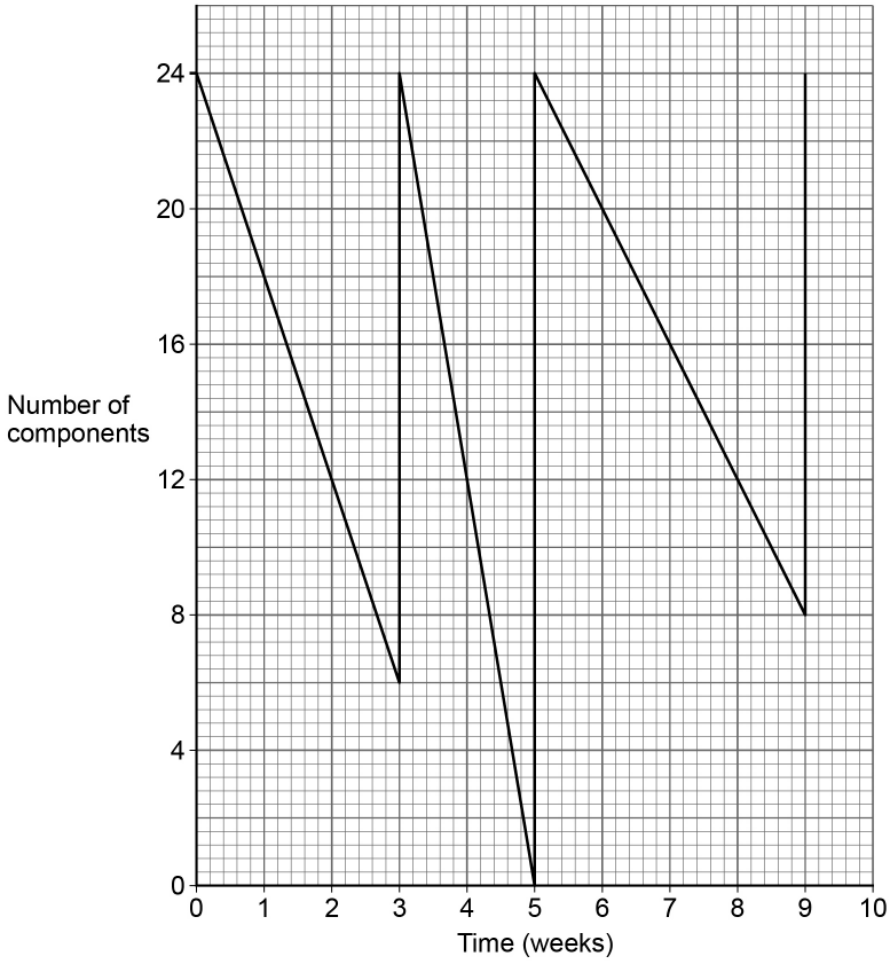
C Statement 1 is false. Statement 2 is true. ⬭

D Statement 1 is false. Statement 2 is false. ⬭

Do not write outside the box

0 7 A business orders components for its production. The lead time is one week. The business tracks its inventory using the chart in **Figure 1** below.

Figure 1



What is the business' reorder level?

[1 mark]

A 8 components ⬭

B 12 components ⬭

C 16 components ⬭

D 24 components ⬭

Turn over ►

Do not write outside the box

1 4 Statement 1: 'An emergent strategy is an initially unplanned strategy which arises in response to change.'

Statement 2: 'Strategic drift occurs when a planned strategy is continually modified in response to changes.'

Read statements 1 and 2 and select the correct option from the following:

A Statement 1 is true.
Statement 2 is true. ⬭

B Statement 1 is true.
Statement 2 is false. ⬭

C Statement 1 is false.
Statement 2 is true. ⬭

D Statement 1 is false.
Statement 2 is false. ⬭

[1 mark]

1 5 A factory has just experienced a zero level of inventory. It wishes to have a buffer level of inventory of 80 units. It uses 35 units per day and has a lead time of 5 days with its supplier.

Its re-order level is

A 80 units. ⬭

B 95 units. ⬭

C 175 units. ⬭

D 255 units. ⬭

[1 mark]

15

Do not write outside the box

1 0 Which one of these strategies from Bowman's strategic clock is most likely to be a successful long-term strategy?

A High price and low added value ⬭

B High price and standard added value ⬭

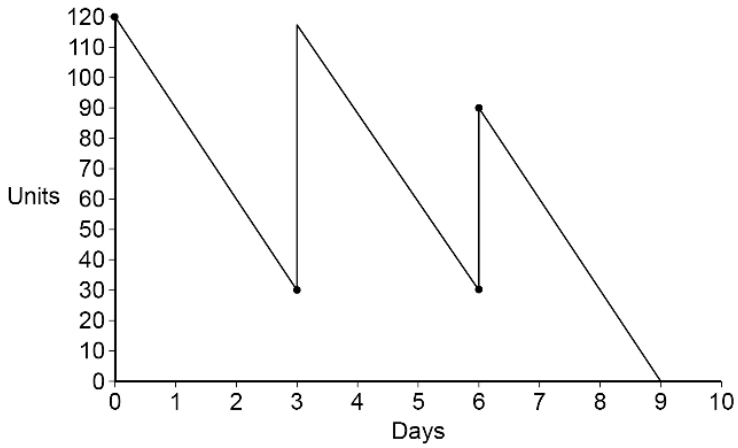
C Low price and low added value ⬭

D Standard price and low added value ⬭

[1 mark]

1 1 **Figure 1** shows the inventory levels of a component held by a business over a period of nine days.

Figure 1



The business has a reorder quantity of 90 units and a lead time for orders of 2 days. On which day was an incorrect quantity ordered?

A Day 3. ⬭

B Day 4. ⬭

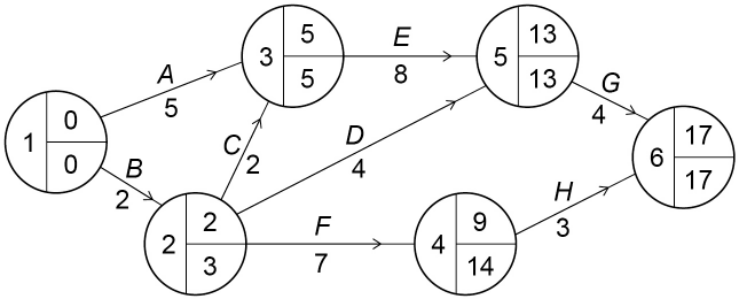
C Day 5. ⬭

D Day 6. ⬭

[1 mark]

Do not write outside the box

Figure 2



1 2 Based on the network shown in **Figure 2**, the total float time for activity D is

A 2 days ⬭

B 6 days ⬭

C 7 days ⬭

D 9 days ⬭

[1 mark]

1 3 Based on the network shown in **Figure 2**, if activity B is delayed by 6 days the duration of the critical path

A does not change. ⬭

B increases by 1 day. ⬭

C increases by 5 days. ⬭

D increases by 6 days. ⬭

[1 mark]

Turn over ►

Do not write outside the box

0 4 In which of these situations is a business most likely to use outsourcing for some of its production?

Situation	Current level of capacity utilisation	Predictability of demand
A	High	High
B	High	Low
C	Low	High
D	Low	Low

[1 mark]

A Situation A ⬭

B Situation B ⬭

C Situation C ⬭

D Situation D ⬭

0 5 In 2019, the niche market of electric cars increased its share of the global car sales market from 0.8% to 2.4%. However, global car sales fell by 2.5%. Model X was the most popular electric car. On a Boston Matrix for the global car market in 2019, Model X was a:

[1 mark]

A cash cow. ⬭

B dog. ⬭

C problem child/question mark. ⬭

D star. ⬭

Do not write outside the box

1 4 Which of the following actions would improve the ability of a manufacturer to respond to changes in consumer demand?

[1 mark]

A Ensuring workers are highly trained in one specialised role ⬭

B Maintaining high capacity utilisation levels ⬭

C Outsourcing more production to other manufacturers ⬭

D Reducing warehouse size in order to minimise levels of inventory ⬭

1 5 A food manufacturer buys two businesses: a direct competitor and a food wholesaler.

What is this an example of?

[1 mark]

A Backward vertical integration and forward vertical integration ⬭

B Conglomerate integration ⬭

C Horizontal integration and backward vertical integration ⬭

D Horizontal integration and forward vertical integration ⬭

15

Turn over for Section B

Do not write outside the box

0 3 Read the information below and then answer the questions that follow.

Disrupted supply

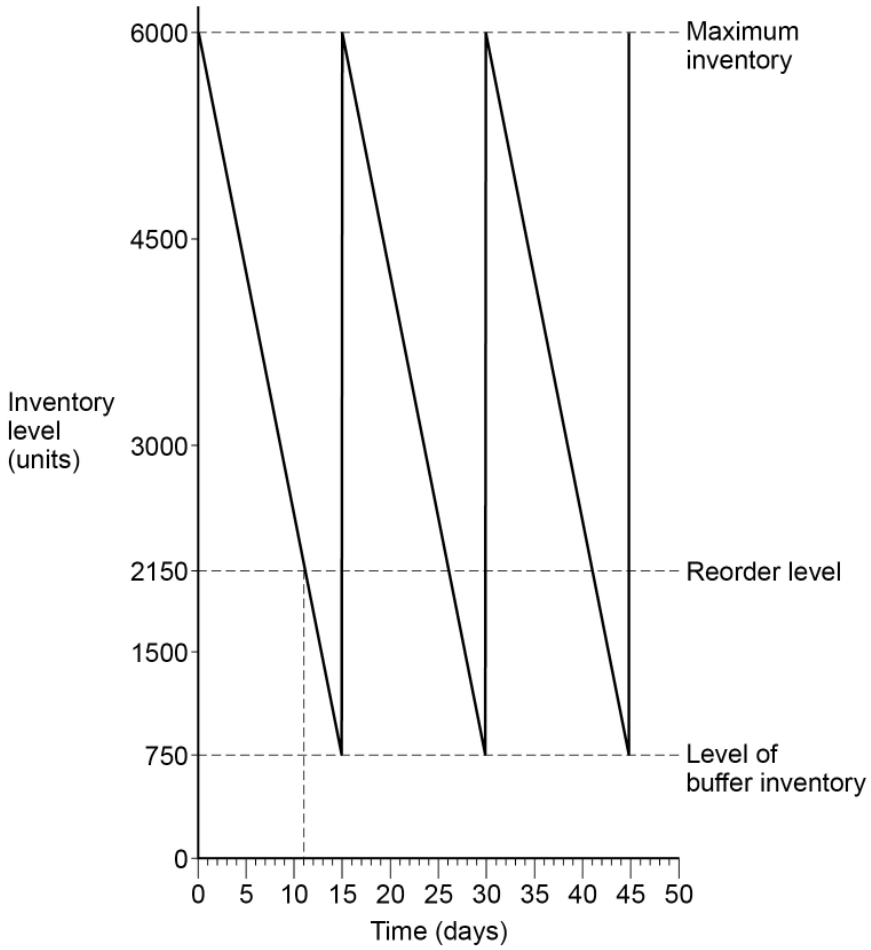
DT is a UK-based business manufacturing circuit boards which it sells to other businesses. All of DT's output is exported to Europe. The components that DT uses are sourced in the UK.

The supplier of a vital component closed suddenly in early 2020 disrupting DT's supply chain. DT's usual pattern of inventory control for this component is shown in **Figure 1**.

DT was forced to buy this component from a new and more expensive supplier.

DT stated: 'We had no contingency plan. It was impossible for us to find alternative supplies quickly enough to fulfil all our existing orders. The new supplies had higher levels of defects.'

Figure 1 Inventory control chart showing DT's usual pattern before disruption



2

Do not write outside the box

0 3 . 1 With reference to **Figure 1**, calculate the lead time.

[2 marks]

0 3 . 2 With reference to **Figure 1**, calculate the re-order quantity.

[2 marks]

2

0 3 . 3 With reference to **Figure 1**, calculate how much inventory DT uses each day.

[2 marks]

2

Turn over for the next question

Do not write outside the box

0 3 Read the information below and then answer the questions that follow.

Disrupted supply

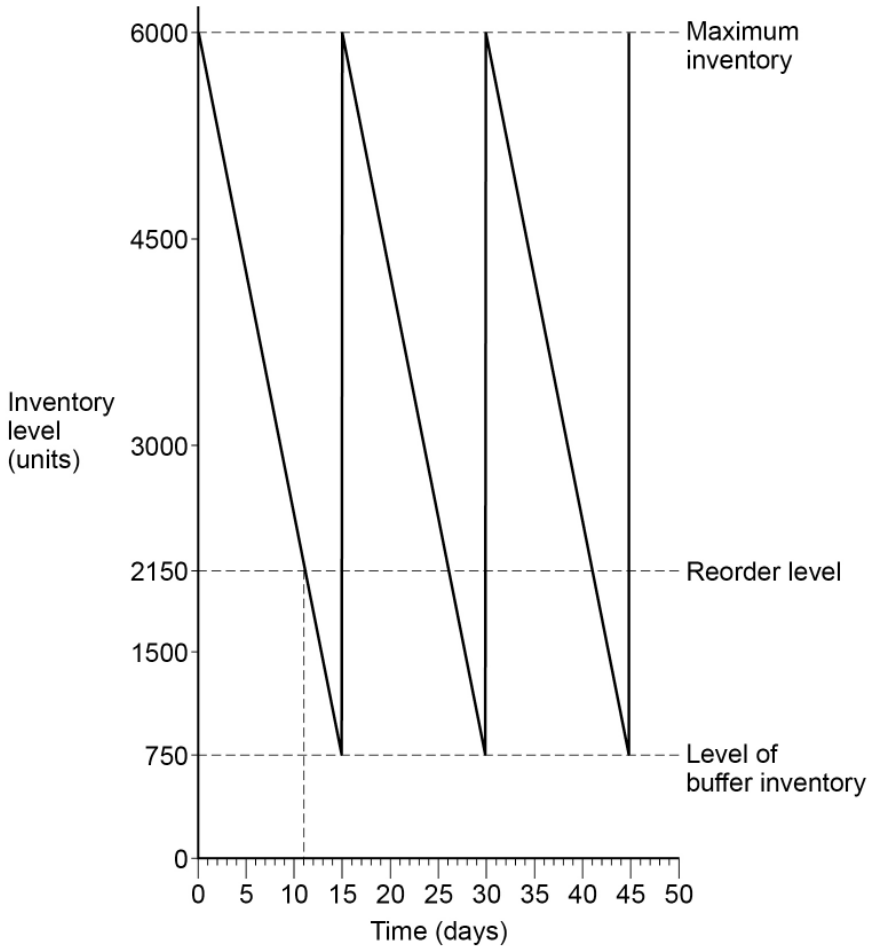
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Figure 1 Inventory control chart showing DT's usual pattern before disruption



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0 3 . 1 With reference to **Figure 1**, calculate the lead time.

[2 marks]

0 3 . 2 With reference to **Figure 1**, calculate the re-order quantity.

[2 marks]

2

0 3 . 3 With reference to **Figure 1**, calculate how much inventory DT uses each day.

[2 marks]

2

Turn over for the next question

Do not write outside the box

0 3 Read the information below and then answer the questions that follow.

Disrupted supply

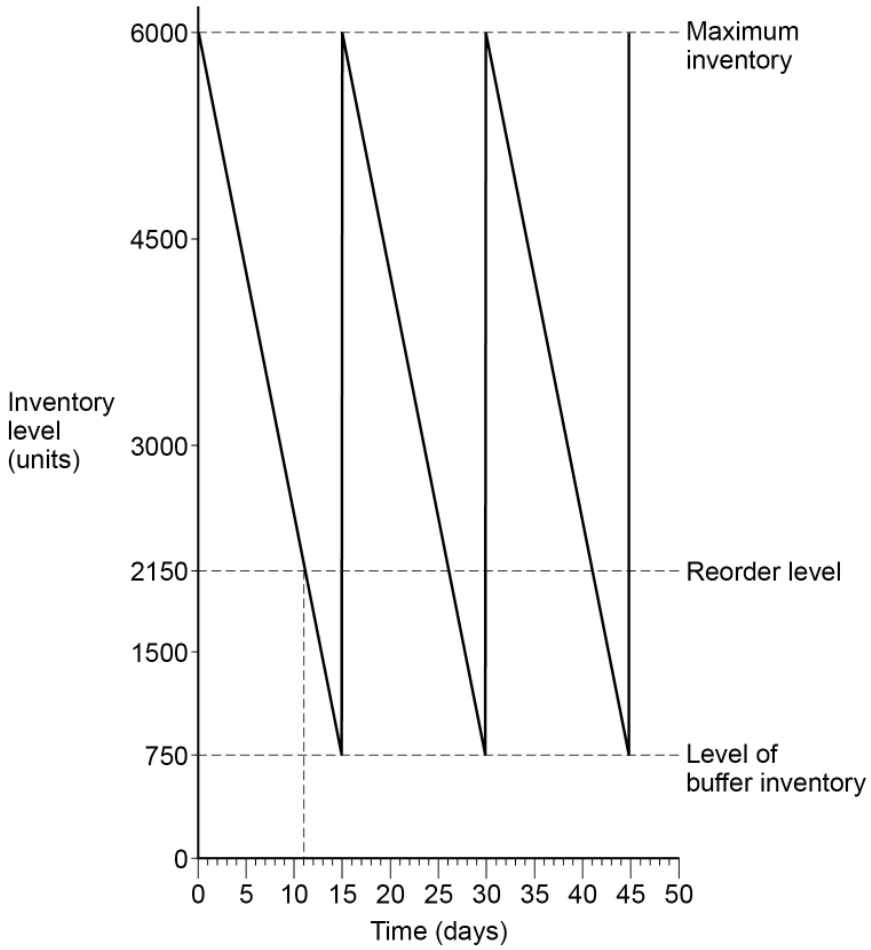
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The supplier of a vital component closed suddenly in early 2020 disrupting DT's supply chain. DT's usual pattern of inventory control for this component is shown in **Figure 1**.

DT was forced to buy this component from a new and more expensive supplier.

DT stated: 'We had no contingency plan. It was impossible for us to find alternative supplies quickly enough to fulfil all our existing orders. The new supplies had higher levels of defects.'

Figure 1 Inventory control chart showing DT's usual pattern before disruption



2

Do not write outside the box

0 3 . 1 With reference to **Figure 1**, calculate the lead time.

[2 marks]

0 3 . 2 With reference to **Figure 1**, calculate the re-order quantity.

[2 marks]

2

0 3 . 3 With reference to **Figure 1**, calculate how much inventory DT uses each day.

[2 marks]

2

Turn over for the next question

Do not write outside the box

1 4 Explain **two** factors that might influence how much inventory is held by a restaurant.

[4 marks]

Extra space

4

Do not write outside the box

1 5 Mae has developed a games app she thinks could be very successful. She has just left school and wants to start selling the app. Analyse why venture capital may be a better source of finance for Mae than a bank loan.

[6 marks]

Extra space

6

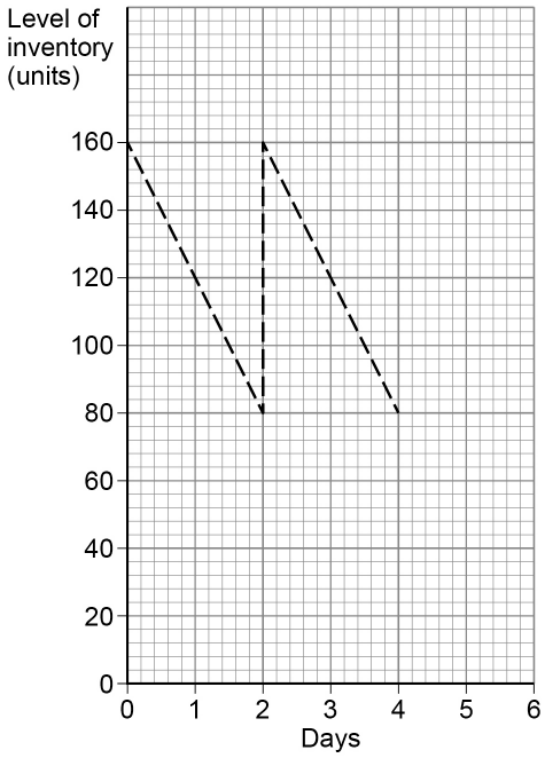
Do not write outside the box

Section B

Answer **all** questions in this section.

1 6 Question **16** is based on **Figure 3**, which shows the level of inventory for a product held in a supermarket until the end of day 4.

Figure 3



The reorder quantity arriving at the end of day 4 is half the level of the reorder quantity that arrived at the end of day 2.

After the end of day 4 to the end of day 6 demand will fall to 30 units per day.

Show these **two** changes on **Figure 3** by drawing in the lines that show inventory levels from the end of day 4 to the end of day 6.

[4 marks]

4

Do not write outside the box

1 4 Analyse **one** way in which having seasonal patterns of demand may affect the operational decisions of a business.

[6 marks]

Extra space

6

Turn over for Section C

Do not write outside the box

0 2 Read the information below and then answer the questions that follow.

Daihatsu

Daihatsu is a Japanese manufacturer of small cars. Its customers are now able to customise their vehicles with car panels that they design for themselves online. Until recently customising cars was expensive because it required skilled craftsmen to produce individual parts.

With 3-D printing, panels can be produced quickly and cheaply. Customers ordering a Daihatsu car from their local dealership can design their own panels for the sides of the car to create exactly the look that they want. Offering more customisation is one way that car manufacturers are trying to gain a competitive advantage in a fiercely competitive environment.

Cars are a high value item for consumers and are usually bought on credit; the finance to buy the car is often provided by the manufacturer. In 2016 over 74 million cars were sold worldwide. This represents a global capacity utilisation in the car industry of only 78%. Some commentators predict global capacity utilisation in the industry will fall in the next few years and that many car manufacturers will respond to this situation by price cutting.

0 2 . 1 Explain how mass customisation benefits the shareholders of car manufacturers.

[6 marks]

Do not write outside the box

Extra space

6

0 2 . 2 Analyse the likely effects of a significant increase in interest rates on the profits of car manufacturers.

[9 marks]

Case study: G-Free (AS Paper 2, June 2017 insert)
The full case study for Q3 (9 marks), which follows on the next pages. Read it before answering.

Source 1

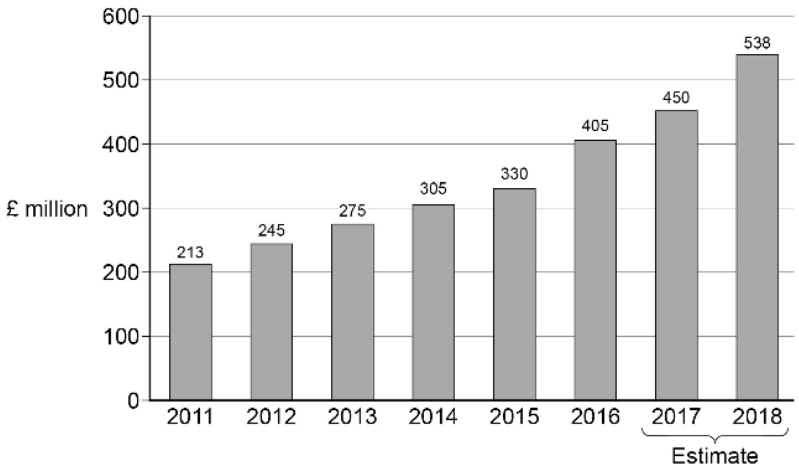
G-Free Ltd

Background

The UK market for gluten-free food is growing rapidly (see **Figure 1**). This rising demand is caused by three factors:

- greater awareness of food allergies
- some consumers believing that these foods are healthier
- the endorsement of this type of food as a 'lifestyle choice' by celebrities.

Figure 1: UK sales of gluten-free food (£ million)



The price of gluten-free food is up to 300% higher than similar products that contain gluten. This is due to the high costs of specialist ingredients, limited competition in the market, and price inelastic demand.

In 2004 chef, Stephanie Morris, started to develop gluten-free bread recipes for her son who had a severe food allergy. This bread was much better than that available in shops and she began to investigate the possibility of starting a small scale business. Initially, as a sole trader, she sold small batches of loaves in local food markets where it was well received.

In 2005 Stephanie invested a large part of her savings and left her secure job as a chef to start a bakery in a small factory. This decision involved a large opportunity cost for Stephanie, but she was optimistic that it could be worth the large risk. She found four investors to join her as co-directors of a private limited company: *G-Free Ltd*, as she was advised that limited liability would be useful. The other directors shared Stephanie's passion for the product, and had experience in manufacturing and retail distribution within the food sector.

The G-Free Ltd brand of gluten-free bread was launched in UK supermarkets in 2007 and received favourable coverage in health magazines. By 2009 it was established in the niche market of gluten-free bread and quickly became the market leader.

At first G-Free Ltd sourced ingredients from four suppliers who had specialist knowledge of the market. G-Free Ltd was a major customer for each of the suppliers and a close business relationship developed with them. The suppliers offered high-quality ingredients and flexible deliveries, but were not the largest or cheapest available.

The original small factory was described as being run using a team management approach on the Blake Mouton grid. The factory grew steadily to employ over 100 staff and in 2012 it received a regional award as being the best medium-sized business to work for. At the 'award ceremony' the judges commented favourably on:

- the high level of employee engagement
- low labour turnover
- the willingness of employees to work flexibly.

Continued growth

Success with gluten-free bread led G-Free Ltd to develop a wider range of products from cakes and biscuits to croissants and crumpets – all gluten-free and many were developed from employee suggestions. In 2014 the company invested heavily in two new large bakeries. The existing suppliers could not offer the range or volumes now needed by G-Free Ltd. Its new products and increased scale meant that G-Free Ltd required more ingredients from a rising number of suppliers.

Costs associated with this expansion were seen as the reason for the business not turning sales growth into profit.

In 2015 G-Free Ltd experienced a serious problem in its operations. Some products were found to contain traces of gluten. Flour from one of its new suppliers was contaminated. G-Free Ltd acted swiftly to withdraw the products – mindful of the importance of maintaining the trust of its customers and reviewed its quality control systems.

The continued growth of this market has recently attracted larger firms. Heinz, Nestlé and Warburtons have each launched their own gluten-free ranges. These firms have lower unit costs due to larger scale and the use of more technologically advanced systems. They also benefit from strong brand images from their other products that sell in mass markets; this has helped them enter the gluten-free niche.

The Operations Manager of G-Free Ltd believes that the company must react to this threat by reviewing its optimum resource mix, particularly as labour costs at G-Free Ltd are rising. The company plan a move towards a lean production system that will be more capital intensive. It will also aim to improve operational performance by reducing the number of suppliers it works with from 28 to 14.

The plan will see a reduction in staffing at the factories. This is opposed by the Human Resources Manager who highlights that many of the staff have stayed loyal to the company for many years.

The plan will be completed by late 2018 at a cost of £28m. The Finance Manager suggests the company fund this, and further growth, by becoming a public limited company. However, the founder, Stephanie Morris, sees herself and the original directors as key people to help ensure that the business stays true to its original aims and feels this may be threatened if the ownership is changed in this way.

Turn over for Figure 2 and Figure 3

Figure 2: Selected from G-Free Ltd Income Statements

	2015	2016	2017	2019 (est.)
Turnover £m	42.0	51.0	54.5	65.6
Gross profit £m	14.5	21.5	24.1	29.0
Gross profit margin (%)	34.5		44.2	44.2
Expenses £m	16.1	18.2	21.3	18.7
Operating profit/loss £m	-1.6	3.3	2.8	10.3
Operating profit margin (%)	-3.8	6.5	5.1	15.7

Figure 3: Selected data for G-Free Ltd

	2015	2016	2017	2019 (est.)
Number of Employees	452	510	525	440
Total Employee Costs (£m)	9.8	11.2	12.0	11.5
Average Cost per Employee (£)	21 681	21 960	22 857	26 136

END OF SOURCE

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This question is based on the case study: G-Free
AS Paper 2, June 2017 insert. Printed in full on the pages just before this one (from page 176).

< CASE STUDY

Do not write outside the box

0 3 G-Free Ltd intends reducing the number of suppliers they use by 50%.
Analyse how reducing the number of suppliers could improve G-Free Ltd's future operational performance.

[9 marks]

Extra space

9

Do not write outside the box

0 4 The original small factory was described as being run using a team management approach on the Blake Mouton grid. Analyse how this team management approach might have led to the judges' comments at the 'award ceremony'. **(lines 31 – 34)**

[9 marks]

Extra space

9

Case study: The Hostel Society (AS Paper 2, June 2018 insert)
The full case study for Q4 (9 marks), which follows on the next pages. Read it before answering.

The Hostel Society

The Hostel Society (HS) is a charity which owns and runs 23 hostels in some of the most beautiful and remote parts of the UK countryside. A hostel is an affordable place to stay – providing basic self-catering facilities, communal areas and cycle storage. Guests are typically keen to walk and cycle in the countryside.

> The Hostel Society's mission is:
>
> 'To promote a love of the countryside, particularly to people who have a limited income.'

HS is owned by its members who support the aims of the organisation and who pay an annual fee. Over half of the members of HS are under 25 years old but it is the older members who are the most actively involved in the running of the organisation. Many of the guests at the hostels are also members. Members elect the board of directors (called trustees) at HS. As a charity, the income and assets of HS cannot be paid out as dividends or bonuses to trustees or members.

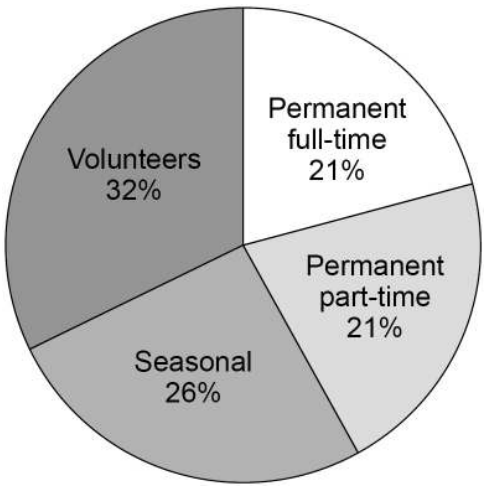
The board of trustees at HS governs the organisation and sets its strategic direction – each trustee gives his or her time and expertise voluntarily. Other enthusiastic members volunteer to help manage hostels, maintain the grounds, carry out administration tasks and organise events. These volunteers share the values of HS, and gain personal satisfaction from their roles and from encouraging others to share their love of the countryside. They have often been involved with HS for several years.

HS has a flexible staffing structure with a mixture of unpaid volunteers and paid seasonal, full-time and part-time staff (**Figure 1**). This flexibility is seen as key to the success of HS.

Seasonal staff are typically students on low hourly pay rates. They cover busy periods in the summer months when many hostels operate at or near to full capacity. In winter some hostels are closed, and others operate with limited opening times.

As well as seasonal demand, hostels have busy periods each day when guests leave in the morning and arrive in the late afternoon. The hostels will often be closed in between these times.

Figure 1: Overall staffing structure of HS



Staff at HS's head office in Lancaster, take responsibility for membership services, marketing and finance. Staff turnover in Lancaster has been high as employees have been attracted by higher salaries offered for similar roles in other organisations.

The revenue for HS is generated from guests' stays at the hostels, membership fees and payments for advertising on its website and in its newsletters. The trustees were concerned about the losses in 2015 and 2016 as they always prioritise the long-term financial stability of the organisation. Assets which had been built up over many years from donations from members, had to be used to meet these losses.

In 2016 the trustees decided to sell three small hostels in fairly remote parts of the Scottish Highlands, claiming that the low occupancy rate (capacity utilisation) of these properties was unsustainable. This was not popular with some members and attracted bad publicity in the media, as these hostels gave access to remote areas of outstanding natural beauty. The hostels were sold to a property developer who planned to use the land to build new housing developments. The sale of these assets raised £1.5m which funded the upgrade of other hostels, together with a promotional campaign aimed at boosting the demand for both people staying at hostels and becoming members of HS.

Overall demand for hostels in the UK has been declining as people now expect more facilities when booking accommodation and many prefer budget hotels. Other hostel organisations have changed what they offer, borrowing large amounts to fund expansion into city-centre hostels. The occupancy rate of these city-centre hostels has been high as the demand is less seasonal.

HS has decided to open a city-centre hostel in Edinburgh in 2018. This will:

- be funded by borrowing £3 million
- be aimed at people wanting to stay in the city at any time of the year
- offer more facilities than the existing hostels (such as TVs) in en-suite rooms
- be priced from £60 per night for a room for two people.

A number of HS stakeholders oppose this decision to open its first city-centre hostel.

Figure 2: Selected financial and performance data for HS

	2017	2016	2015
Number of hostels	23	26	26
Maximum capacity (overnight stays)	112 000	142 000	142 000
Number of overnights stays	74 000	75 000	76 100
Occupancy rate (capacity utilisation)	66.1%	52.8%	53.6%
Average price per overnight stay	£25.00	£23.50	£23.50
Variable cost per overnight stay	£5.50	£5.50	£5.00
Annual fixed costs for hostels	£1 300 000	£1 525 000	£1 450 000
Profit from hostels		(£175 000)	(£42 150)

END OF SOURCE

This question is based on the case study: The Hostel Society
AS Paper 2, June 2018 insert. Printed in full on the pages just before this one (from page 181).

< CASE STUDY

Do not write outside the box

0 4 Analyse the financial benefit to HS of having a flexible workforce.

[9 marks]

Extra space

9

Case study: Slow Fashion (AS Paper 2, June 2019 insert)
The full case study for Q4 (9 marks), which follows on the next pages. Read it before answering.

Slow Fashion

Many clothing companies succeed by using a 'fast fashion' business model: selling seasonal, cheap, low-quality items that are often manufactured in low-cost countries such as Bangladesh. This practice is used by retailers promoting the latest designs.

As a senior buyer for a high street clothing retailer, Claudia Bryant had responsibility for sourcing clothing and negotiating contracts with suppliers from many countries. She was successful in her work by securing low-cost deals.

> On 24 April 2013, over 1,130 people were killed when the Rana Plaza factory complex collapsed in Dhaka, Bangladesh. 2,500 more were injured. The people crushed under those eight floors were working for familiar fashion brands in unsafe conditions.

Rana Fashion

In 2013 Claudia was shocked by the Rana Plaza disaster. She believed that it was the fault of the 'fast fashion' business model – something she no longer wanted to be a part of.

She resigned from her job to set up her own online clothing retail business, centred on ethical objectives. The business (Rana Fashion) is a private limited company with Claudia owning 60% of the shares. The remaining shares are owned by a Bangladeshi charity, ensuring that at least 40% of the annual profits support charitable projects in Bangladesh.

The clothes are traditional designs that do not go out of fashion. All are made to last and fabrics are ethically sourced, eg fair-trade cotton. They are manufactured by suppliers in Bangladesh – many with personal links to the Rana Plaza disaster. Each supplier is a small independent family-run business.

Claudia is keen to trade ethically, in contrast with leading retailers, as shown below.

Rana Fashion's approach:	'Fast fashion' approach:
• pay promptly to help the suppliers' cash flow	• delay payments to help their own cash flow
• buy and store extra inventory – this allows better capacity utilisation for suppliers	• buy only enough to meet projected demand as old inventory goes 'out of fashion'
• have long term contracts with suppliers – allowing suppliers to plan for their future.	• new contracts each season – in search of lower priced deals.

Rana Fashion garments are sold at a high price. If customers spend over £100 they can pay over 10 months without any interest. Last year 25% of sales were made this way.

Rana Fashion sells directly to consumers worldwide through e-commerce, removing the need for high street retailers. The UK is its biggest market. However, Claudia is pleased that sales in the USA and Europe have recently shown steady growth.

No budget is allocated to promotion. Claudia relies on media coverage to promote her brand. She has been interviewed by many newspapers, radio stations and online news providers when journalists have been reporting on ethical fashion. This has proved successful as the readers and audiences have views that are closely aligned with the business objectives.

Rana Fashion invested heavily in its website and is very active on social media, with increasing numbers of loyal customers sharing links which are often seen by hundreds of thousands of like-minded people.

The business has large levels of inventory and efficient warehousing is vital. The warehouse manager is a key member of staff and Claudia has designed this job role to have delegated responsibility for the day-to-day running of the warehouse.

Rana Fashion outsources its increasingly wide and complex distribution function to international distribution companies such as UPS. These ongoing contracts have specific targets for customer service, based on delivery times such as 48 hours across the UK and Europe. UPS delivers to over 220 countries, including every address in North America and Europe.

Financially, Rana Fashion has been profitable with rising profit margins, but faces regular cash flow problems. A financial adviser believed that Rana Fashion's business model made the cash flow problems difficult to resolve and had two suggestions to help.

Suggestion A:	**Suggestion B:**
Delay payment to suppliers by paying invoices as late as possible.	Use debt factoring of customer credit.

Appendices continue on the next page

Figure 1: Overall UK and US clothing sales 2012–2017 (Index numbers, 2013 = 100)

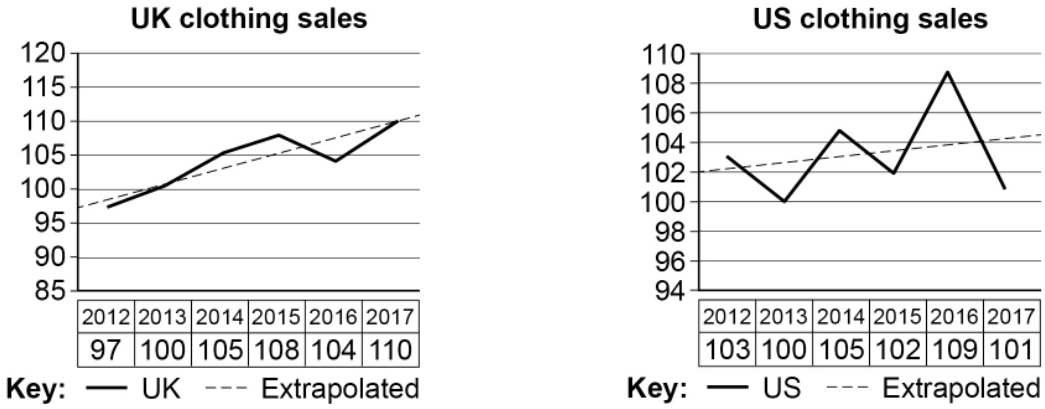


Figure 2: Estimated elasticity data

	'Fast fashion'	Ethical fashion
Income elasticity of demand	+0.6	+1.4
Price elasticity of demand	-1.3	-0.8

Figure 3: Predicted changes in income levels

	UK	USA	Europe
2019	+2.5%	+4.0%	+3.2%
2020	+2.0%	+3.5%	+3.0%

END OF SOURCE

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This question is based on the case study: Slow Fashion
AS Paper 2, June 2019 insert. Printed in full on the pages just before this one (from page 184).

< CASE STUDY

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0 4 Rana Fashion outsources its distribution function.

Analyse **two** reasons why.

[9 marks]

Extra space

9

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1 7

Glade Ltd

Mary is the Chief Executive of Glade Ltd, a company that manufactures tables. Glade Ltd currently produces 4000 tables each year. It hopes to increase sales by 50% over the next three years and even more in the long run.

Glade Ltd has a reputation for being ethical because:

- Glade Ltd's mission is to be the leader in its industry for using sustainable materials in its products. This means, for example, that it uses wood from companies that replant new trees to replace those cut down. Glade Ltd's main competitors use about 40% of sustainable materials in their final products. Glade Ltd currently has 70% of sustainable materials and wants to continue improving this
- it pays its suppliers within one month of delivery.

Glade Ltd makes relatively low profits but a bigger issue is its regular cashflow problems. The company's bank manager has offered Mary a large overdraft facility and has told her that interest rates are likely to fall soon. Mary is not sure whether to take out an overdraft or not.

Glade Ltd sells all its tables to three big retailers. These retailers buy in large quantities. Glade Ltd typically gets paid between two and three months after it delivers the orders. Glade Ltd's largest rival gets paid within six weeks by threatening to charge interest on money still owed after this time.

Glade Ltd has one main supplier for the materials it uses in its tables. Mary has recently appointed a new operations manager, who has suggested that Glade Ltd switches to a new supplier. The comparison of suppliers is given in **Table 3**. The price of materials and payment terms would be the same for both suppliers.

The operations manager also thinks that Glade Ltd should try to reduce the amount of warehousing space the company has and sell some of the land where it is based.

Table 3

	Existing supplier	New supplier
Capacity for orders for Glade Ltd	5700 a year	9000 a year
Lead time	12 days	8 days
Percentage of materials supplied to customers that are from sustainable sources	70%	90%

Do not write outside the box

1 7 . 1 With reference to **Table 3**, analyse the ways in which changing supplier could improve Glade Ltd's profits.

[9 marks]

Extra space

9

Do not write outside the box

Section C

Answer **all** questions in this section.

1 6

BZT Ltd

Dean Beacon runs a family electricals business, BZT Ltd. BZT Ltd sells computers, mobile phones and household electrical items from its 15 high street stores. The stores are in prime, central locations which leads to high rent payments. BZT Ltd holds all of its inventory at its stores.

Recently BZT Ltd has received poor online reviews. Dean knows online reviews now play a large part in how many customers choose a retailer. The poor reviews were due to BZT Ltd quickly selling out of products. Dean is considering holding more inventory to prevent selling out. There is a long lead time when BZT Ltd orders these products. The suppliers offer significant discounts for large orders. Currently BZT Ltd does not get these discounts as it only orders 70% of what is needed to qualify for the discount.

Dean is concerned that profits fell in every one of the last three years. BZT Ltd's competitors are now increasingly online only. Dean has carried out the following research comparing BZT Ltd to online competitors.

Table 1 Dean's research

	BZT Ltd	Online competitors
Inventory storage costs	£200 per square metre	£70 per square metre
Average gross profit margin	32%	65%
Last year's change in profit margin from operations	–4%	+2%

BZT Ltd is the only retailer in the market that provides a free three-year support service with every item. The business needs specialist staff to provide this service.
The support provided includes:

- setup
- installation
- cover of any repair costs for three years.

BZT Ltd spends 10% of its marketing budget advertising this support service and spends over 70% promoting its traditional price match promise. The price match promise means that BZT Ltd will always lower the price of any product to match that of any competitor offering the same product. Dean believes the business is widely recognised for its price match promise which it has offered for over 50 years.

Dean has discovered the fastest-growing demographic in the market is the over 60s. The over 60s now account for over 30% of sales. Dean has carried out the following additional research on the market.

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Table 2 Market research

	BZT Ltd	Online competitors
Average age of customers	62	28
Average price elasticity of demand	–0.4	–1.8
Percentage of customers expressing an interest in a support service	68%	6%

16.1 Analyse how increasing the level of inventory held could impact on BZT Ltd's profitability.

[9 marks]

9

Case study: Boss Balloons Ltd (AS Paper 2, June 2023 insert)
The full case study for Q4 (9 marks), which follows on the next pages. Read it before answering.

Boss Balloons Ltd

Boss Balloons Ltd (BB) creates balloon displays for events such as children's parties, weddings and store openings. BB is owned by Zoe, who set the business up after seeing a gap in the local market. BB sells its products through its website and via social media, which it also uses for its marketing. BB's prices range from £50 for the smallest balloon display to £950 for large displays for events such as weddings. Customers pay a small deposit to secure their order and pay the balance once they have received the display. BB often experiences cash flow issues due to Zoe taking on lots of big orders at once.

BB has been trading for five years and has experienced steady growth. BB has recently introduced cakes and sweets to go with the balloon displays. Zoe originally created the displays in her garage. With the increase in demand that BB experienced, more space was needed and BB is now run from a small workshop, rented at a high cost each month.

Zoe is the manager of BB and oversees the day-to-day running of the business. There are 10 employees, who Zoe has trained to create the displays to a high standard. The global and UK market for balloon displays has grown rapidly. BB has experienced a big increase in local competition from other balloon businesses. This means customers have lots of choice when deciding which balloon company to use. BB is considered to be a more expensive option; Zoe feels this is justified as she produces high-quality displays. The company has a history of excellent customer reviews.

Table 1: Balloon display market data

	Price elasticity of demand	Average price of a small balloon display	Average price of a large balloon display	Average wage per hour
UK market	–1.3	£38	£700	£9.00
BB Ltd	–0.5	£50	£950	£10.50
Main rival	–0.9	£45	£800	£9.50

The future

Raising finance

A larger workshop is needed for storage and assembly to accommodate the growth of BB.
A venture capitalist, Jack, wants a 30% share of BB in return for providing the full price for the new workshop. Jack wants to be hands-on and has many years' experience in marketing and events management. He believes that having the right marketing objectives is key to success, with external factors being more important than internal factors when setting these objectives. His experience and knowledge are something that Zoe likes as she wants to expand into new markets. Zoe is concerned about giving up full control of the business she started.
An alternative is to take out a 10-year bank loan; the monthly loan repayments are less than the rent she is currently paying for the existing workshop.

Regular contract

BB has been offered a contract with a local hotel to supply balloon displays for weddings. This is a three-year contract with fixed prices agreed below BB's current display prices. This would be guaranteed weekly income. The hotel balloon displays require many hours' work. This will take some employees away from working on the one-off orders of a much higher value that may come in.

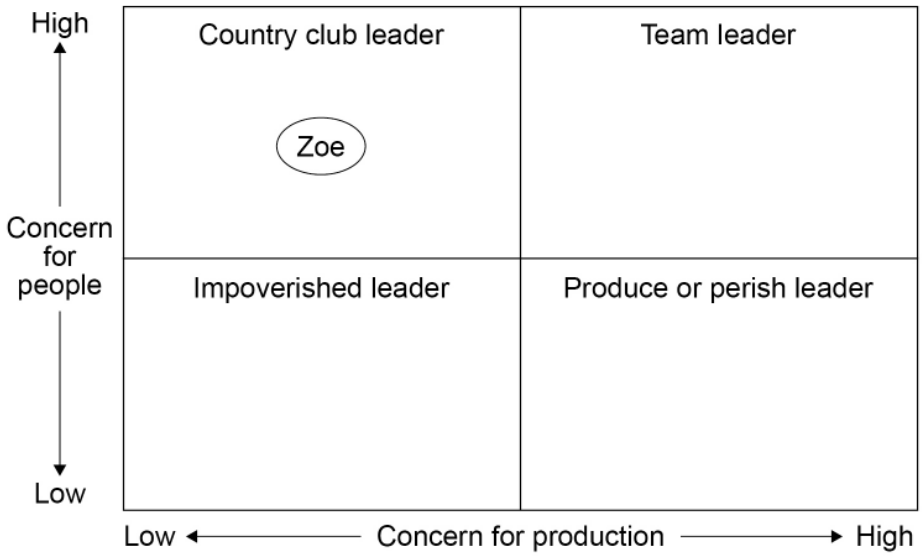
Outsourcing catering

Providing the cakes and sweets to go with the balloon displays has not gone well. Only one of the employees is able to create these products to a high standard. There have recently been complaints received from customers about the quality of these products. There is little added value to making and selling the cakes with the balloons, but more customers are demanding that their displays come with these items. Zoe does not want to lose these customers to competitors. An option is to outsource the catering orders to a local bakery with good reviews, so that staff can focus on providing high-quality balloon displays.

New manager

Zoe needs to employ a manager so that she can focus on making decisions about the future of the business. Zoe believes her management style is that of a 'country club leader', as shown in **Appendix A**. Zoe is considering employing a manager with a different management style. This is because in the last few months at BB there have been some motivation issues that have resulted in reduced productivity. BB has had recent high rates of absenteeism amongst staff and this has led to some balloon orders being sent out late and bad reviews on the website.

Appendix A: Blake Mouton grid



END OF SOURCE

This question is based on the case study: Boss Balloons Ltd
AS Paper 2, June 2023 insert. Printed in full on the pages just before this one (from page 192).

< CASE STUDY

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0 4 Analyse the impact on BB if it decides to outsource the catering function of the business.
[9 marks]

Extra space

9

Case study: Play Equipment Ltd (AS Paper 2, June 2024 insert)
The full case study for Q5 (9 marks), which follows on the next pages. Read it before answering.

Play Equipment Ltd

Play Equipment Ltd (PE) is a UK-based manufacturer of playground equipment such as slides, swings and climbing frames. PE Ltd makes and sells the equipment to business customers such as theme parks, holiday parks and schools. PE Ltd uses a sales team to promote its products to these business customers. PE Ltd has been running for 14 years. Until recently it had high market share in this competitive market and was known for its excellent quality equipment.

The operations manager believes that the raw materials supplier PE Ltd uses is to blame for its recent loss of market share. PE Ltd has used the same supplier for the last 5 years. However, in the last 18 months, there have been many faults reported with the raw materials. This has resulted in complaints from some of the businesses that PE Ltd supplies. The operations manager has returned the last shipment of raw materials used for the equipment, due to poor quality. The costs of the raw materials have increased, and so have the storage costs. The current supplier has not been able to offer just-in-time delivery. The operations manager thinks PE Ltd needs to find a new supplier before the situation gets worse.

The marketing manager is worried about the brand image of PE Ltd. In the last 2 years, PE Ltd has lost some of its brand loyalty. PE Ltd has faced tough competition from well-known toy brands that operate with lower unit costs. The shareholders of PE Ltd have expressed a desire to expand the markets in which the company sells. The shareholders want PE Ltd to start targeting individual customers, such as families who are looking to put play equipment in their homes and gardens. They have asked the managers of PE Ltd to undertake market research into this potential market to gather relevant data. Many of the managers disagree with this suggestion. Their intuition is to remain with the current market. However, the shareholders have asked the managers to produce a decision tree to decide whether to target the new market. If PE Ltd does decide to target individual customers directly this will significantly increase the number of potential customers. The marketing manager will need to create a new promotional mix. The finance manager would need a £50 000 loan to pay for the new promotional mix.

PE Ltd uses a range of financial and non-financial methods of motivation. The employees complete training every year to ensure they are aware of updates to machinery and processes. PE Ltd offers all employees the opportunity to work in the different departments, and managers use delegation to avoid employees becoming bored in their roles. The employees are paid below the industry average wage, but they can earn bonuses for hitting monthly productivity targets. Despite these incentives, labour turnover has increased from 10% to 35%. Employees have left due to better wages and higher bonuses being offered by competitors. PE Ltd's employees have many skills which can be used in other industries and this makes them hard to retain. It is difficult to recruit skilled employees due to lots of competition for workers in this rapidly expanding market.

Figure 1: Selected annual productivity data for PE Ltd

	2021	2022
Number of employees	102	108
Number of products made	25 500	27 648
Labour productivity	250	256

Figure 2: Selected financial data for PE Ltd

	2021	2022	2023
Monthly fixed costs	£21 000	£27 000	£30 000
Selling price per unit	£280	£300	£342
Variable cost per unit	£102	£120	£142
Units sold per month	800	1 200	1 850
Overdraft balance	(£85 000)	(£100 000)	(£150 000)
Retained profit	£100 000	£50 000	£30 000
Receivables due	£20 000	£25 000	£70 000

END OF SOURCE

This question is based on the case study: Play Equipment Ltd
AS Paper 2, June 2024 insert. Printed in full on the pages just before this one (from page 195).

< CASE STUDY

Do not write outside the box

0 5 Analyse the factors PE Ltd should consider when choosing a new supplier.

[9 marks]

Extra space

9

Turn over ►

Answer **all** questions in the spaces provided.

Do not write outside the box

0 1 Read the information below and then answer the questions that follow.

Banking on change

The UK banking industry is dominated by the 'Big 5' banks. These banks have had costly networks of physical branches. Recently they have closed many branches, particularly in rural areas.

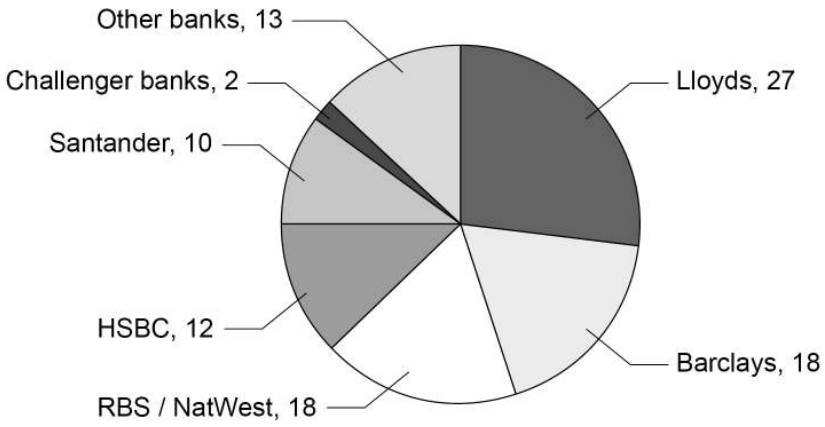
New technology and changes to government rules have opened the market to competition from relatively new entrants called 'challengers'. Challenger banks target a niche and aim to provide better customer service.

Metro Bank, like other challengers, has grown fast, but unfortunately it had to declare losses after a major accounting error in early 2019.

Appendix A Examples of types of challenger bank

Bank(s)	Type of service
Monzo, Starling	Fully online bank (this type includes 90% of challengers)
Tesco, M&S	Bank linked to retailer brand
Metro Bank	City branches open 12 hours a day

Appendix B Market share of banks in UK, 2019 (%)



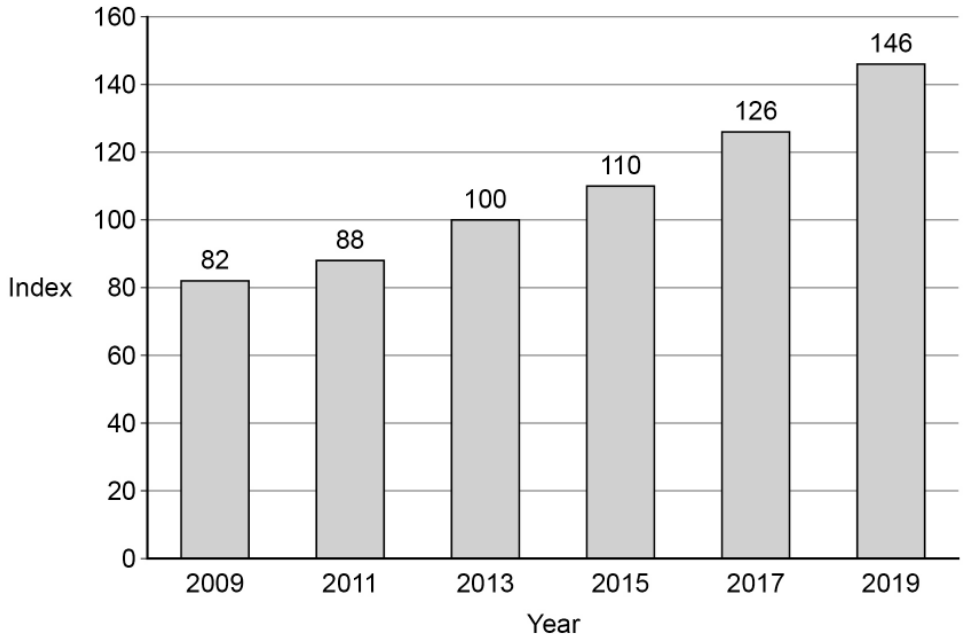
Note: The 'Big 5' banks are Lloyds, Barclays, RBS/NatWest, HSBC, Santander

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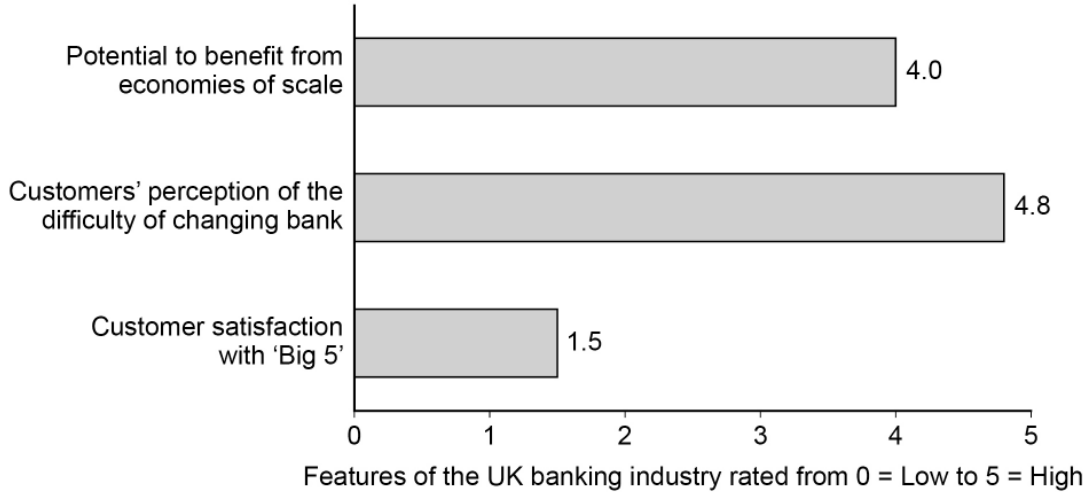
Appendix C Selected share price and market capitalisation information

	22 February 2019	6 March 2020
Metro Bank share price (pence)	1430.0	128.0
Metro Bank market capitalisation (£)	N/A	218.8m
Barclays Bank market capitalisation (£)	N/A	16 850m

Appendix D People using online banking (2009–2019)
(Index: base year 2013)



Appendix E Analysis of UK banking industry (2019)



Do not write outside the box

0 1 . 4 The closure of branches is seen as a way for the 'Big 5' banks to better match supply with demand.

Analyse how this action might affect the profits of these banks.

[9 marks]

9

Case study: Hopps London (A Level Paper 3, June 2018 insert)
The full case study for Q2 (12 marks), which follows on the next pages. Read it before answering.

Source 1

Hopps London

Jack Hopper started his business, Hopps Clothing Ltd, a year ago. Although he enjoyed the £25 000 salary he was earning working for a bank, he was frustrated by the routine work and was eager to test his entrepreneurial skills. With an eye for an opportunity, Jack took his interest in fashion and turned it into a business which he would run in his spare time. Hopps Clothing Ltd produces a small range of clothing, reflecting Jack's interest in 'urban style' clothing and accessories.

Jack's first attempt at a range of clothing consisted of three items – caps, beanie hats and T-shirts featuring his own Hopps London logo. Information on the costs and prices of these items is shown in **Appendix A**. Still living with his parents, Jack used their house and garage as his storage space and his bedroom as an office. This kept his fixed costs to a minimum.

As a new, small clothing brand, Jack had two distribution options:

- sell online only through his own website
- sell through retailers.

Jack needed to find a way to distribute his clothing to consumers. Finding a retailer that was interested in selling his clothes was difficult. He did receive a proposal from Debenhams, who demanded exclusive distribution rights and expected high retail margins, as shown in **Appendix A**. Jack felt that selling through his own website allowed better targeting of the 15–30 year–olds that made up his target market.

As a start-up business Jack found it hard to find manufacturers willing to produce the small batches he wanted to order. He did find a supplier who was willing to produce his designs in batches of no fewer than 200 units for each design. For the T-shirts, Jack ordered a total of 200 in a range of sizes, following advice from the supplier on which would be likely to sell best. As Jack's was a new business, the supplier was unwilling to offer credit, so Jack had to use his savings and an overdraft to pay for all the stock in advance. Once his supplier had delivered, Jack's parents' house was suddenly full of cardboard boxes containing products that Jack now had to sell. Jack's parents were not happy.

Jack knew that in order to build his brand, promotion would be critical in such a crowded market. His strategy used social media. Instagram was his preferred platform. He initially used friends, and even himself, to model his clothing. Sales did not happen as quickly as he had hoped. Chatting to other entrepreneurs, Jack found that celebrity endorsement can be critical if using social media. Jack used several 'lesser known' celebrity endorsements to generate sales – as major stars with thousands of followers charged too much for an endorsement. In his first year Jack spent a total of £1000 on social media. The items shown in the Instagram posts sold well. Jack had sold out of the most popular sizes and colours within a couple of weeks of each post. It took the rest of the year to sell the rest of his stock – and therefore return Jack's bank balance to positive figures.

Planning a new range

For his next range of clothing, Jack has decided to only produce T-shirts, themed around famous brands of his childhood. He plans to have the full range of designs manufactured and ready to sell at Crepe City, a major urban footwear and fashion fair in London, which takes place in 25 weeks' time. Jack plans to use network analysis to help him manage the process of getting everything ready in time for the launch. **Appendix B** shows the activities Jack needs to complete before launching the new range, and the network diagram he constructed. Since constructing the diagram, Jack's designer has told him it will probably take 5 weeks to digitalise his new designs, while the website re-design is likely to take 14 weeks.

The future

Jack has really enjoyed starting his own business. He would love to turn it into a full-time job. However, he is not willing to do so unless he can earn the same amount of profit from the business as his salary at the bank.

If Jack quits his job, he plans to pursue a 3-year growth strategy involving:

- recruiting eight regional salespeople covering the whole of the UK to visit retailers
- recruiting a full-time website administrator
- recruiting a specialist digital marketing director
- renting a storage unit for inventory
- increasing his annual marketing budget.

In addition to carefully monitoring the work of his new recruits, Jack would spend time visiting potential suppliers, as well as working on new designs for clothing and managing the business's inventory and finances.

Jack recognises that the business would need to grow rapidly to achieve his objective of £25 000 profit but is concerned by the problems that growth would bring. However, he has unshakeable faith in the brand, and his designs, and his bank job is not getting any more interesting.

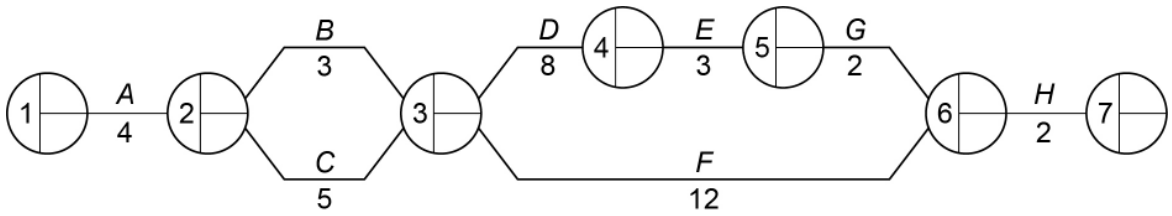
Appendix A Financial data for Hopps Clothing Ltd last year

	Cost per unit – paid by Jack to his supplier (£)	Price that Debenhams offered to pay Hopps Clothing Ltd (£)	Retail selling price (£)
T-shirts	9	15	24
Caps	7	12	20
Beanie hats	7	10	16

Other costs incurred:

- marketing costs of £1000
- £10 per month website fee
- bank account fee £10 per month.

Appendix B



Activity		Jack's original estimated duration (weeks)
A	Jack produces designs	4
B	Designer digitalises designs	3
C	Jack arranges a supplier	5
D	Manufacturing	8
E	Arrange and execute photoshoot for social media campaign	3
F	Website re-design	12
G	Social media campaign runs	2
H	Final preparations for product launch event at Crepe City	2

Source: Jack's own estimates

Appendix C

Forecasts for next year if Jack runs the business full time

Item	Expected annual online sales volume	Expected online selling price (£)	Expected annual sales volume through retailers	Expected price retailers will pay Jack (£)
T-shirts	2000	24	33 000	15

Additional information for next year if Jack runs the business full time:
Total fixed costs = £200,000
Variable cost per unit = £9

END OF SOURCES

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This question is based on the case study: Hopps London
A Level Paper 3, June 2018 insert. Printed in full on the pages just before this one (from page 201).

< CASE STUDY

0 2 Analyse the value of effective inventory control to Hopps Clothing Ltd. **[12 marks]**

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Extra space

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12

Turn over ►

0 3 Using the data in **Appendix B** and the **case study**, evaluate whether Jack is likely to meet the deadline for his new range.

[16 marks]

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Case study: Sunport PLC (A Level Paper 3, November 2020 insert)
The full case study for Q3 (16 marks), which follows on the next pages. Read it before answering.

Background

Sunport PLC is a multinational company, manufacturing and selling various consumer goods, focused on household cleaning, personal care and foods. The business has manufacturing facilities in 85 countries and it sells in nearly 200 international markets, with its Head Office in the UK. The business has seen great success under Chief Executive Martin Smith. This included fighting off a takeover bid from a major rival. Success was recognised with substantial bonus payments to the senior managers in the form of shares in the business.

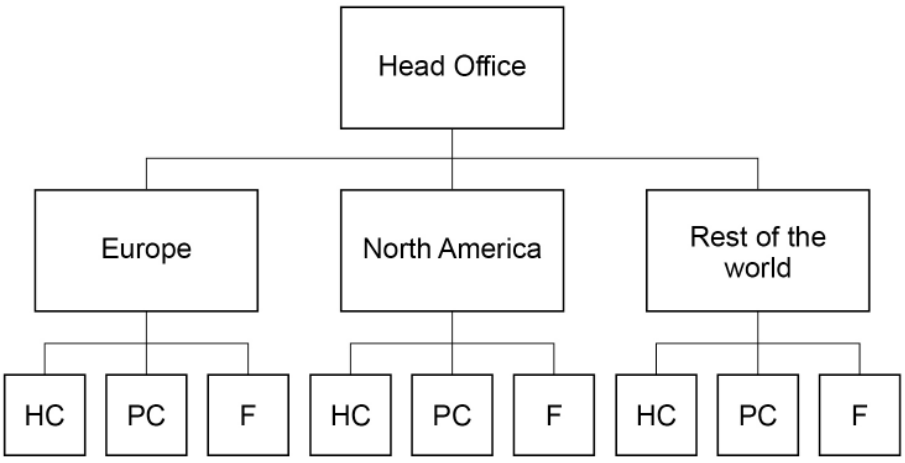
A socially responsible PLC

During his 10 years in charge, Martin committed the business to a socially responsible approach. He championed the need to act responsibly to all stakeholder groups, arguing that forming effective long-term relationships would increase profits. Martin was particularly keen to encourage relationships with suppliers who shared Sunport PLC's values. This allowed a joint approach to new product development and reliable deliveries from loyal suppliers.

Some shareholders questioned Martin's approach, claiming he spent more time attending conferences about climate change than increasing profit for the business. Although dividend payments fluctuated, the company's share price rose consistently. Recent financial results are shown in **Appendix A**.

Organisational structure

The company's organisational structure is split into three regions. Each of these regions is then split according to three product-based divisions of Household Cleaning (HC), Personal Care (PC) and Food (F).



This structure is designed to allow regional variations to be addressed as the company's market research (see **Appendix B**) has shown major differences between the global regions. Martin's leadership style involved delegating decision-making to a local level. This allowed staff, within each region, to select the right suppliers and develop their own marketing mix. Head Office has always provided a clear mission for the company as a whole, allowing Martin to spread his vision of a socially responsible business throughout the organisation.

Balanced Scorecard

The company's use of Kaplan and Norton's Balanced Scorecard has been credited with contributing to its success. The performance of every business division is assessed from four perspectives (see **Appendix D**). This has allowed the business to avoid short-termism in its approach to decision-making.

A new boss

Martin Smith retired at the end of 2019. He has been replaced by Elaine Filer, Sunport PLC's former Chief Finance Officer. Elaine has a reputation as a leader who makes decisions herself and then tells managers what to do. She is expected to drive through a strategic change focused on increasing profit margins throughout the business. Her view is that personal care is the most successful division in Europe. Elaine wants every division in the business to achieve an operating profit margin of 12%. This should help to please a small group of unhappy shareholders who are concerned that the company's returns could be higher if the senior managers prioritised profit over other social responsibilities.

A strategy for the future

Although the company is not expected to abandon its socially responsible approach, Elaine has announced her intention to introduce cost reduction measures including:

- centralising decision-making at Head Office, which would remove some duplicated activities, such as the selection of suppliers
- changing to cheaper suppliers
- reducing spending on initiatives designed to improve the company's environmental performance, including abandoning the company's current aim of only using recyclable materials in its packaging.

Appendix A Sunport PLC selected financial results

	2016	2017	2018	2019
Sales turnover (£bn)	48	51	52	54
Operating profit (£bn)	4.6	4.5	4.8	5.1

Average operating profit margin of major rivals in 2019 = 12%

Appendix B Sunport PLC market research data on food buying in various regions (2020)

	Three most important issues for food shoppers			Index of Sunport PLC's food prices (Europe = 100)
	First	Second	Third	
Europe	Taste	Recyclable packaging	Value for money	100
North America	Branding	Speed of preparation	Taste	118
Rest of the world	Value for money	Taste	Branding	84

Appendix C Quotes from a recent article on the global food industry in a business magazine

'food manufacturers who have centralised manufacturing facilities have found any economies of scale in production are cancelled out by increased transport costs'

'transporting food products long distances is very expensive as products can be bulky, fragile, perishable or require refrigeration'

Appendix D Selected data for Sunport PLC – European region, 2019

Perspective	Measure	Household cleaning	Personal care	Food
Financial	Operating profit margin (%)	9.7	12.2	8.8
Learning and growth	Staff retention (%)	88	74	76
	% of employees who are proud to work for Sunport PLC	90	65	85
Internal processes	% of recyclable materials used in packaging	100	55	85
	New products in development	12	10	12
Customers	% of customers who would recommend Sunport PLC products to a friend	90	80	75

END OF SOURCE

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This question is based on the case study: Sunport PLC

A Level Paper 3, November 2020 insert. Printed in full on the pages just before this one (from page 207).

< CASE STUDY

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0 3 To what extent is changing to cheaper suppliers a good decision for Sunport PLC?

[16 marks]

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10

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16

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0 3 Read the information below and then answer the questions that follow.

Disrupted supply

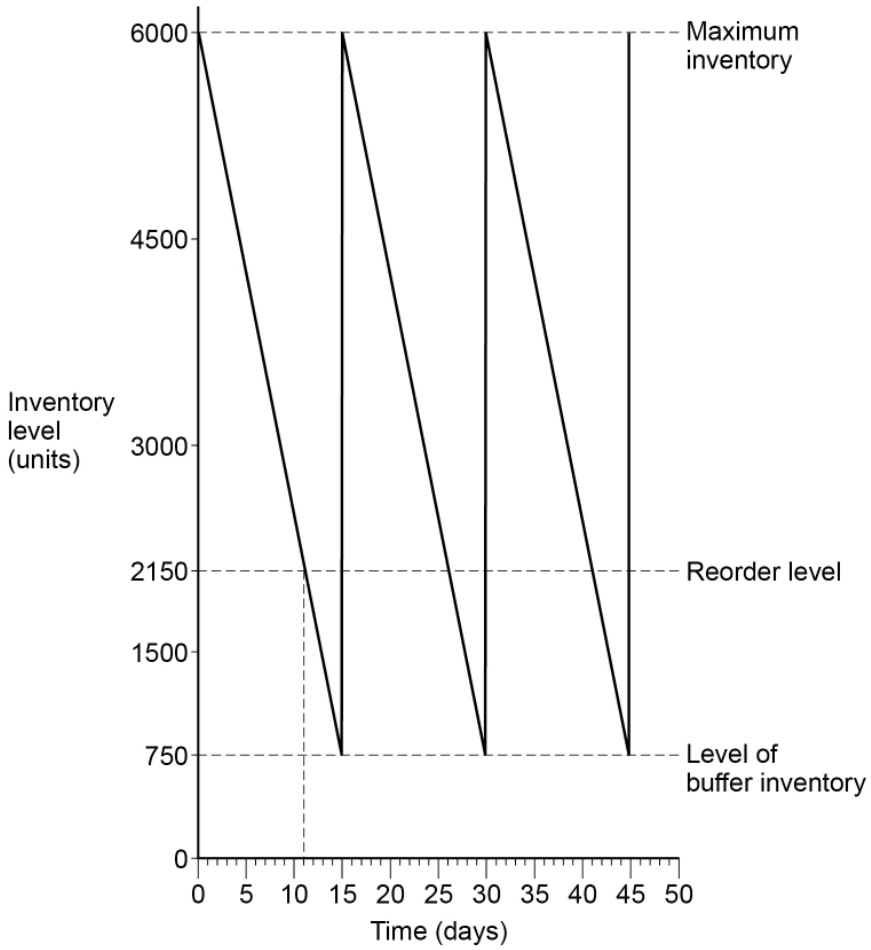
DT is a UK-based business manufacturing circuit boards which it sells to other businesses. All of DT's output is exported to Europe. The components that DT uses are sourced in the UK.

The supplier of a vital component closed suddenly in early 2020 disrupting DT's supply chain. DT's usual pattern of inventory control for this component is shown in **Figure 1**.

DT was forced to buy this component from a new and more expensive supplier.

DT stated: 'We had no contingency plan. It was impossible for us to find alternative supplies quickly enough to fulfil all our existing orders. The new supplies had higher levels of defects.'

Figure 1 Inventory control chart showing DT's usual pattern before disruption



2

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0 3 . 6 Reliability is the most important factor in a business' choice of supplier. To what extent is this true for **all** businesses?

[16 marks]

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Extra space

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16

END OF QUESTIONS

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Section D

Answer **either** Question 23 **or** Question 24.

Shade the lozenge below to indicate which optional question you have answered.

Question 2 3 ⬭ Question 2 4 ⬭

CORRECT METHOD ⬬ WRONG METHODS ⊗ ⦿ ⬭ ✓

2 3 More businesses are now using broad measures of overall business performance, such as Kaplan & Norton's Balanced Scorecard and Elkington's Triple Bottom Line, rather than focusing solely on financial ratio analysis.

To what extent does this mean that financial ratio analysis is no longer important to a business?

[25 marks]

OR

2 4 A business plans to improve its flexibility through mass customisation. Is it inevitable that improved flexibility will worsen other measures of its operational performance?

Justify your view.

[25 marks]

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24

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25

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Extra space

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27

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Turn over ►

Question 02 · Section A objective test question

Correct answer: A

To deliver 90% of customer orders within 72 hours of order.

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 02 · Section A objective test question

Correct answer: A

Statement 1 is true. Statement 2 is true.

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

0	1	Analyse why Logger Boards Ltd prioritises meeting environmental objectives when making operational decisions. **[12 marks]**

Marks for this question: AO1 = 3, AO2 = 3, AO3 = 6

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question**. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question.	**9–12**
2	**A reasonable response overall that focuses on some of the demands of the question**. Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question.	**5–8**
1	**A limited response overall with little focus on the demands of the question**. Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and mainly descriptive application to the context.	**1–4**

The demands of this question are:
- understand the meaning of environmental objectives and operational decisions
- link these to Logger Boards Ltd
- to analyse why environmental objectives may be prioritised when making operational decisions.

There is no requirement for more than one reason to be analysed

Indicative content:
Operational decisions may include decisions relating to inventory, supply chains, quality, technology, resource mix, production methods or any other valid decision. Operational decisions mention in the Item include:
- use of only recycled materials
- use of energy exclusively from renewable sources
- on-site wind turbine
- solar panelled roof
- waste-water filtering and reuse.

Reasons for prioritising environmental objectives:

- owner's personal values – Bodhi is clearly passionate about the environment and the impact of surfing on the environment
- contributes to strong sense of mission – a key part of the business' purpose is to help to improve the environment

- matches consumers' preference – some customers clearly value Logger Boards Ltd's commitment to the environment – the company image would be damaged if he failed to prioritise environmental objectives
- ties in with USP/point of differentiation – without this prioritisation the company's image would be shattered
- allows premium pricing – there is evidence that customers will pay premium prices for an environmentally produced board
- may attract highly skilled employees who share these values – Logger Boards Ltd only uses highly skilled employees.

Accept other relevant arguments.

0	8	Evaluate the view that in order to be successful in the future, **all** businesses must prioritise ethical influences when setting operational objectives. **[20 marks]**

Marks for this question: AO1 = 4, AO2 = 3, AO3 = 5, AO4 = 8

Level	The candidate will typically demonstrate	Marks
5	**An excellent response overall that is fully focused on the key demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgments or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole.	**17–20**
4	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**13–16**
3	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**9–12**
2	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**5–8**
1	**A weak response overall lacking focus on the demands of the question.** Provides an answer to the question set that: • demonstrates isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question • makes judgements or proposes solutions based on assertions.	**1–4**

The demands of the question focus on:

• the importance of ethics in relation to setting operational objectives
• the importance of other factors when setting operational objectives
• a focus on ethical influences having a higher priority than any other influence when setting operational objectives
• in businesses/industry generally not just Hoods Ltd
• a decision/judgement made in the context of the future success of a business.

Indicative content may include:
demonstrates knowledge and understanding of relevant ethical issues for example; using Fair Trade suppliers, paying higher wages to employees, reducing waste, reducing carbon footprint, sustainability issues, treatment of workers by suppliers.
focusing on ethical issues may help a business to build their brand and future success. Brands that choose to be ethical in their business approach will prioritise ethics to help build the brands reputation and to increase customer loyalty to the business.
adopting ethical practices may attract employees who want to join an ethically based business. This means the business has like-minded people working at the business and could help the business to be successful in the future.
Hoods Ltd aims to be ethical by using fair trade suppliers. Hoods Ltd has a mission statement to communicate this to its stakeholders and so will prioritise ethics over another factor in its attempt to be successful in the future.
legislation and regulation may influence the decisions that businesses make in the future. For example, new legislation may force businesses to prioritise ethics over other factors
to remain competitive, businesses may have to adopt ethical approaches in the future.
ethical business practices are becoming more desired by many customers, this may continue in the future.

However
the costs of being ethical in operations/production can be very high; not all businesses can afford to invest in ethical practices and so focus on other factors such as cutting costs as a priority.

Overall
whether the statement is true for all businesses will depend on several factors. For many businesses that operate in mass markets against larger competitors it is likely that cost pressures are a higher priority than ethics when setting operational objectives.
the decision to operate ethically may depend on demands from customers or expectations of customers, decisions of the competitors or the objectives of the shareholders.
the judgement may be based on other influences being more likely to take precedent over ethics, for example finance pressures.
This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

Question 09 · Section A objective test question

Correct answer: B

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 09 · Section A objective test question

Correct answer: A

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 10 · Section A objective test question

Correct answer: D

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 08 · Section A objective test question

Correct answer: A

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 05 · Section A objective test question

Correct answer: C

Factory C

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 07 · Section A objective test question

Correct answer: D

increased by dynamic pricing and increased by penetration pricing.

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 01 · Section A objective test question

Correct answer: A

New competitors are entering the market.

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 10 · Section A objective test question

Correct answer: B

Statement 1 is true. Statement 2 is false.

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 10 · Section A objective test question

Correct answer: C

Factory C

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

0	1	Using the data in **Figure 1**, calculate the average weekly capacity utilisation in 2019. **[3 marks]**

Marks for this question: AO1 = 1, AO2 = 1, AO4 = 1

3 marks for correct answer of 68%.
2 marks for answer 68, but no percentage sign.
2 marks correctly selects and uses figures, but an arithmetical error.
1 mark if capacity utilisation is correctly defined but no valid calculations.

Figure 1: Average cinema attendances at Parkside Theatre 2019

	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Weekly total
Attendance	220	175	-	223	354	629	575	2176
Maximum capacity	400	400	-	400	400	800	800	3200

Note: the cinema is closed on Wednesday and has two shows on Saturday and Sunday.

Capacity Utilisation = (actual/maximum) x 100
= (2176/3200) x 100
= 0.68 x 100
= **68%**

Other methods to get to the correct answer are acceptable.

Section B

Total for this section: 20 marks

1 1 A small theatre business opens at the weekends.

This is the data recorded for one weekend.

	Saturday	Sunday
Number of seats sold	850	980
Capacity of theatre (number of seats)	1000	1000

Calculate the capacity utilisation for the weekend above.

[3 marks]

Marks for this question: AO1 = 1 and AO2 = 2

The demands of the question are:

- calculate the capacity utilisation in given example.

Indicative content:

correct answer = 91.5% (**3 marks**)

broken down as follows:

total number of seats sold over the weekend (850 + 980) = 1830 (1 mark)

1830 / 2000 = 0.915 (1 mark)

0.915 x 100 = 91.5% (1 mark)

if no valid calculations: award a maximum of 1 mark for a clear demonstration of valid knowledge (e.g. through showing correct formula)

alternative methods can be credited

own figure rule can be applied

0	1	In 2023, PE Ltd had 120 employees. The number of products it produced increased by 10% from 2022 to 2023. Using **Figure 1**, calculate PE Ltd's annual labour productivity in 2023. **[3 marks]**

Marks for this question: AO1 = 1, AO2 = 2

3 marks for correct answer 253.44. Accept 253 and 253.4.
2 marks for selecting correct figures of 31 350 and 95 workers but arithmetical error made.
1 mark if calculates 10% increase as 2764.8 only.
1 mark for stating labour productivity formula only, no valid calculations.

Workings:
Number of products produced in 2023:

27 648 × 1.1 = 30 412.8 units

or

10% of 27 648 = 2764.8 units

27 648 + 2764.8 = 30 412.8 units

Labour productivity in 2023

30 412.8/120 = 253.44 units

1 4 The total output of a business increased by 15.5% between 2017 and 2018. Using the table below calculate the change in labour productivity. Show your workings.

	Labour productivity (units)	Number of employees	Total units output
2017	80	40	
2018		42	

[5 marks]

Marks for this question: AO1 = 1 and AO2 = 4

Examples of how assessment objectives might be met in this question include:

- demonstrate knowledge and understanding of relevant issues such as productivity (AO1)
- be applied to the context of the data provided (AO2).

answer = 8 units (5 marks)

2017 output: 80 x 40 = 3200	1 mark
increase in output: 15.5% of 3200 = 496	2 marks
2018 output: 3200 + 496 = 3696	3 marks
2018 L productivity: 3696 / 42 = 88	4 marks
change: 88 – 80 = +8 units	5 marks

please note:

- alternative methods may be credited
- if no valid calculation(s): award a maximum of 1 mark for K/U of labour productivity
- £8 = 4 marks
- - 8 = 4 marks

.

17 . 1	Analyse the implications of the operational data in **Table 3** on the prices that Napara plc can charge its customers. **[9 marks]**

Marks for this question: AO1 = 3, AO2 = 3 and AO3 = 3

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	**7–9**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed and is applied to the context.	**4–6**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

The demands of the question are:

- analyse the impact of the operational data shown on the prices that Napara plc can charge.

Indicative content:

- the data shows that there is poor productivity in the factory at present and this will mean cost per unit for the business will be relatively high. This is likely to impact on the prices that Napara plc can charge pushing them upward
- evidence shows that the lead times for the cars are much shorter than rivals and as a result customers may be willing to pay a higher price to get their hands on the car more quickly as the case study indicates they are not willing to wait
- the data shows that product recalls are high relative to rivals in a market where customers want reliable vehicles. As a result of these high recalls, customers will know that there may be hassle involved with returning cars and will be expecting to pay a lower price for a car more likely to be needed to be returned as a result.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

0 1 . 3	Analyse how the changes in Biggs Ltd's labour productivity, shown in **Appendix B**, may cause its market share to fall. **[9 marks]**

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	**7–9**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed and is applied to the context.	**4–6**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

The demands of the question are:
- to show understanding of labour productivity and market share
- to interpret the labour productivity index data
- to analyse why Biggs Ltd's falling labour productivity may impact its market share.

Indicative content:
- the data in **Appendix B** show that Biggs Ltd's labour productivity is falling, at a time when it is rising in the wider industry
- falling labour productivity is likely to increase Biggs Ltd's unit cost whereas the industry average productivity is increasing, which may reduce competitors' unit costs
- higher unit costs may force Biggs Ltd to have higher prices than their competitors
- a lack of price competitiveness may lead to a reduction in market share
- falling labour productivity may reduce Biggs Ltd's ability to meet the growing demand in the market
- lower labour productivity means that Biggs Ltd may not be able to meet the significantly increased demand for its new products, given that marketing expenditure is planned to increase by more than 150%, failing to halt the decline in market share.

Question 07 · Section A objective test question

Correct answer: C

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 06 · Section A objective test question

Correct answer: C

Scenario C

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 08 · Section A objective test question

Correct answer: A

Statement 1 is true. Statement 2 is true.

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 02 · Section A objective test question

Correct answer: B

Long lead times

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 03 · Section A objective test question

Correct answer: B

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 03 · Section A objective test question

Correct answer: B

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 03 · Section A objective test question

Correct answer: D

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 05 · Section A objective test question

Correct answer: C

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

1 5	Analyse how the use of technology might improve operational efficiency in a manufacturing business. **[6 marks]**

Marks for this question: AO1 = 2, AO2 = 2 and AO3 = 2

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a good knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	**5–6**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a reasonable knowledge and understanding of issues in the question • demonstrates analysis which is developed and is applied to the context.	**3–4**
1	**A limited response overall with limited focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–2**

The demands of the question are:

- analyse how the use of technology
- improves operational efficiency
- for manufacturing business.

Indicative content:

- an increase in the technology used in a business might improve the speed at which products can be manufactured. This may mean more output can be made in the same amount of time increasing efficiency
- if technology is used within a manufacturing business, then there may be a reduction in the number of human errors and therefore the waste from production can be reduced leading to lower unit costs and improved levels of efficiency
- some technology uses will mean that the amount of time production lasts for can be increased… so a larger total output can be manufactured as machines will work through weekends/breaks/etc.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

0 2 . 2	Explain **one** reason why Seebus plc uses a 'Just in Time' system of inventory management. **[6 marks]**

Marks for this question: AO1 = 3, AO2 = 3

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • provides a good explanation using knowledge and understanding • is applied effectively to the context.	**5–6**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • provides a reasonable explanation using knowledge and understanding • is applied to the context.	**3–4**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates some knowledge and understanding.	**1–2**

The demands of the question are:
- to explain **one** reason for using a Just in Time (JIT) system
- within the context of Seebus plc.

Indicative content:
- a JIT system allows a company to minimise inventory levels whilst ensuring that it has sufficient stock available to meet demand
- Seebus positions itself as a high-quality supplier and so JIT may be crucial in ensuring products are fresh and 'out of stocks' are avoided, especially given the smaller product range stocked
- JIT may be particularly valuable for a company in the food retail sector where wastage levels may be high if stocks of fresh food are not managed carefully
- JIT may help reduce costs, which could be crucial in maintaining higher gross profit margins or help improve price competitiveness, especially where larger rivals are likely to experience greater economies of scale
- efficiency may be improved as JIT can work in combination with the new software that coordinates inventory management with marketing, finance and other activities and with partners in the supply chain
- in a very competitive sector, effective inventory management is vital in maintaining competitive parity with other larger rivals who also use JIT.

Accept other relevant reasons.

17 . 1	To increase capacity, Eamon is considering increasing the opening hours of its gyms. Analyse how Fit Gym might be affected if it made this decision. **[9 marks]**

Marks for this question: AO1 = 3, AO2 = 3 and AO3 = 3

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	**7–9**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed and is applied to the context.	**4–6**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

The demands of the question are:

- analyse the impacts on Fit Gym of increasing the capacity of the gyms by opening for more hours.

Indicative content:

- Increasing capacity will increase costs for Fit gyms as they will have to pay staff for longer hours. They are already in a position of paying a lot of staff and this situation will be exacerbated (although rent and other costs may not rise). Shareholders are keen to cut costs and for profits and dividends to rise so, with customers not being price sensitive, it is likely to lead to Eamon having to increase prices to cover costs.
- Increasing capacity with longer hours should allow queues to be reduced and the burdens in the busy times to be more spread. This reduction in queues may stop any complaints from customers and maintain the reputation of the business which is vital in this high-end market. The customer satisfaction is currently high but may drop with recent complaints so it would be important to prevent this falling.
- Increasing capacity by increasing hours that the gym opens for may allow the business to gain a larger customer base from those who work in cities and match the opening hours of rival gyms who open for

significantly longer. If the gyms are open longer they may capture some workers who are likely to use the gym after work.

- Increasing the opening hours allows for a growing market. With the market for gyms 'growing rapidly', an increase in capacity will allow Fit gyms to deal with this increasing market potential size if they can spread customers over more hours. This would potentially allow profits to rise which will please the shareholders who seek higher dividends.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

0 2 . 3	Nari uses a 'Just in Time' approach to manufacturing. Analyse the ways in which this might affect Nari's profits. **[9 marks]**

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	**7–9**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed and is applied to the context.	**4–6**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

The demands of the question are:
- to analyse ways in which 'Just in Time'
- might affect Nari's profits.

Answers may include:
- 'Just in Time' production involves holding minimal levels of inventory
- this can be more efficient, eg less warehousing costs, less security costs and less danger of inventory becoming obsolete given the regular updates to the phones. This could help Nari in its drive to have low costs so it can undercut Apple. Low costs seem to be very significant to this business with profit margins of just 5%. Greater efficiency may help margins and overall profits
- 'Just in Time' means the company is not left with inventory which may not sell; it updates and develops new models regularly so won't want to hold large amounts of inventory that could go out of date. This can mean there is less wastage and higher profits
- it may mean Nari could have production issues if there are problems with supplies. Nari works with suppliers based in more than 50 countries to managing the logistics is complex and supplies will be vulnerable to delivery delays due to, eg transport problems. This could lead to production problems and less sales and profits
- there is a danger of not having inventory for retailers and having to discount the phones reducing already low profit margins
- less likely to benefit from purchasing economies of scale, increasing unit costs and reducing profits.

2	1	Analyse why a business might choose to use labour intensive processes rather than capital intensive processes. **[9 marks]**

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed and is applied effectively to the context.	**7–9**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed and is applied to the context.	**4–6**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

The demands of the question are:

- showing an understanding of capital intensive and labour intensive
- recognising the distinction between capital intensive and labour intensive (processes)
- analysing why labour intensive processes may be chosen instead of capital intensive processes.

Indicative content:

- identifying situations in which labour intensive processes are likely to provide better outcomes than capital intensive processes.

Possible examples include:
- the provision of tailor-made or craft goods or services where machinery may lack the flexibility of a human
- businesses which depend on the personal skills of the workforce, such as hairdressing, are more likely to use labour intensive methods
- where the capital expenditure needed for capital intensive processes is very high/beyond the means of a specific business
- customer preferences - customers may prefer personal service whilst others may prefer a low-cost product which is more easily achieved using capital intensive processes.

Accept all relevant arguments.

0 1 . 3	Analyse why AJS plc has decided to become more capital intensive. **[9 marks]**

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	**7–9**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed and is applied to the context.	**4–6**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

The demands of the question are:
- show understanding of capital intensity
- analyse potential reasons for becoming more capital intensive
- in the context of the situation faced by AJS plc. For example, selectively using the data.

Indicative content:
- capital intensive production involves using a greater proportion of capital/machinery in operations as opposed to the use of labour
- HR data shows the salary costs as a percentage of revenue is higher at AJS plc than the industry average
- labour turnover was 15% at AJS plc significantly higher than the industry average of 4%
- industrial relations seem to be problematic with 25 days lost through industrial action, 5 times more than the industrial average
- AJS plc have fewer applicants for any given vacancy – possibly indicating that vacancies are difficult to fill.

Each of these points may be the basis of arguments about problems in HR at AJS plc – these may be analysed further as a basis for an explanation as to the investment in making the factory more capital intensive and therefore less reliant on labour in the factory.

Allow other relevant arguments.

0	1	Analyse how Speed-e-Puds Ltd benefits from operating with a high level of capacity utilisation. **[12 marks]**

Marks for this question: AO1 = 3, AO2 = 3, AO3 = 6

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question**. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question.	**9–12**
2	**A reasonable response overall that focuses on some of the demands of the question**. Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question.	**5–8**
1	**A limited response overall with little focus on the demands of the question**. Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and mainly descriptive application to the context.	**1–4**

The demands of this question are:
- understand the meaning of a high level of capacity utilisation
- analyses benefit(s) of a high level of capacity utilisation
- in the context of Speed-e-Puds Ltd.

Indicative content:
- lower average cost per unit as fixed costs (rent of premises – potentially on the High Street/equipment/staff) are spread across more customers
- buying larger quantities of materials will be required, so discounts may lead to lower unit costs (purchasing economies)
- for restaurants such as this, busyness can be seen as a recommendation for passing customers
- high capacity utilisation may be important because sales volume may compensate for lower than average gross profit margins
- high capacity utilisation may suggest prices could be raised, boosting gross margins
- high capacity utilisation implies a high inventory turnover thus less waste of potentially perishable ingredients
- staff will feel a sense of job security with a busy restaurant
- Operating at a high level of capacity utilisation will imply high revenue matched with lower unit cost, thus suggesting profits (£200,000) should be available to invest or pay down debt

Accept other relevant arguments.

Markers' note:
Do not credit arguments focused on causes of capacity utilisation being high (E.g. the speedy waffle maker causes high demand which causes high capacity utilisation – not answering the question which must be about the consequences of high capacity utilisation, rather than high demand)
Also beware incorrect responses built around benefits of high capacity (can meet high demand) or speed of service (productivity) due to SuperWaffler

0	**6**	To what extent will the planned lean production system be good for G-Free Ltd's stakeholders? **[16 marks]**

Marks for this question: AO1 = 4, AO2 = 2, AO3 = 4, AO4 = 6

Level	The candidate will typically demonstrate:	Marks
4	**An excellent response overall that is fully focused on the key demands of the question** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as whole throughout.	**13–16**
3	**A good response overall that focuses on many of the demands of the question** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question. • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question. • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**9–12**
2	**A reasonable response overall that focuses on some of the demands of the question** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question. • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**5–8**
1	**A limited response overall with little focus on the demands of the question** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question. • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**1–4**

The focus of the question is on:

- how the planned introduction of lean production may impact on specific stakeholders
- a judgement on the extent to which this change to lean production is likely to be good for stakeholders.

Indicative content may include:

- Lean production at G Free Ltd involves becoming more capital intensive as labour costs have been rising and larger capital rich competitors are entering the market. This will change the number and type of employees being employed – a clear link to the impact on an important stakeholder group.
- Reducing the number of suppliers is a part of lean production and suppliers are a stakeholder.
- Lean production is a key change that is leading to optimistic estimates of future financial performance – this can impact on several stakeholder groups including shareholders.

Evaluation may consider that:

- the change to lean production may be good for some stakeholders not all – it is likely that some stakeholders may benefit whilst others may not may depend on how the changes are introduced.

1 6 . 2 *Do you think Sue should go ahead with the investment in the new production capacity? Justify your answer using quantitative and qualitative information.*

[16 marks]

16 mark evaluative questions: AO1 = 4, AO2 = 2, AO3 = 4 and AO4 = 6

Level	the student will typically demonstrate:	Marks
4	**An excellent response overall that is fully focused on the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	**13–16**
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis that is well-developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**9–12**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrate analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**5–8**

1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrate analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focused on the question as a whole.	**1–4**

The demands of the question focus on:

- arguments for and against Sue going ahead with the investment
- the use of quantitative and qualitative information
- a judgment being made on whether to go ahead with the investment.

Indicative content

If successful the order will generate a high rate of return – well over the target Mike set.

If it wins the annual contract

Price per bag	200	
VC per bag	130	
Contribution Per Unit	70	
Annual order	10 000	bags
Contribution from order	700 000	
Increase in fixed costs per year	160 000	
Profit/loss from order	540 000	
Initial investment	1 500 000	
Return on investment p.a.	**36%**	

It has a major impact on the profits of the business which at the moment are:

Present position

Price per bag	250
VC per bag	130
CPU	120
Annual output	12 000
Total contribution	1 440 000
Fixed costs	660 000
Profit	780 000

The deal would increase annual profits of the business by around 69% (more than the 60% Mike wanted).

However there is a high degree of risk; if the company does not get the bigger order it will:

- have invested heavily in new capacity and increased fixed costs; sales have typically grown by 2% a year so much of this capacity would not be used; this would be very expensive
- it would be accepting a lower price than it usually does which could led to demands from others to bring the price down
- Mike is inexperienced and may be driven more by his own ambition. He says there is "80%" chance of the negotiation being successful but that means there is a 20% chance it won't be. Would it be better to let Sue be involved in the negotiations as she is more experienced.

Ultimately it depends on what Sue wants to do as she is the sole owner of the business. She may be wary of such a major change. She wants to hand over to her son in the future but this may be too early to let him make the major decisions.
Perhaps she should try to renegotiate the terms? Could she get a guarantee of the order first before the investment?

further guidance:

- calculations only BUT no judgement = L2 max (1 calculation only = 6 marks and 2 calculations = 8 marks)
- one valid calculation + logical judgement = L3 (9 max)
- two calculations + logical judgement based on both (i.e. 2 reasons to do it) = L3 (11 max)
- a response with no valid calculations and no judgement = max L2
- two calculations are not essential to reach L4
- use OFR
- £1 320 000 is the anticipated total profit assuming the deal goes ahead
- impact on sales likely to be an increase to 22 000 (83.3% increase c/w 'typical' 2%)
- what if existing customers force a price cut to £200… CPU falls to £70 and total contrib to £840 000 resulting in profit fall of £600 000 to £180 000

0	2	.	3	Many car manufacturers are expected to respond to a fall in overall capacity utilisation in the industry by cutting prices. To what extent is cutting price a good way for **any** business to respond to a fall in the overall capacity utilisation in its industry? **[16 marks]**

Marks for this question: AO1 = 4, AO2 = 2, A03 = 4 and AO4 = 6

Level	The student will typically demonstrate:	marks
4	**An excellent response overall that is fully focused on the key demands of the question**. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	**13–16 marks**
3	**A good response overall that focuses on many of the demands of the question**. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**9–12 marks**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**5–8 marks**
1	**A limited response overall with little focus on the demands of the question**. Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**1–4 marks**

The focus of the question is on:

the extent to which cutting price is a good way for a business to respond to overcapacity in its industry. The focus here is not specifically on the car industry.

Indicative content may include:

- Cutting price may boost demand thus generating more sales, this would increase the amount goods sold and decrease the amount of overcapacity present.
- Cutting price is more effective in industries where demand is price elastic. Cutting price in an industry with inelastic goods may not be a good approach as the percentage increase in demand would be less than percentage decrease in price, thus unless price cuts were significant, majorly impacting on revenues, a significant change in capacity utilisation may not occur.
- An individual business would need to consider its place in its market and any impact on the brand image that cutting prices may have. This may not be the best approach for businesses whose products are at the luxury end of the market or who brand using status and exclusivity.
- If demand has fallen permanently would it be better to reduce the overall capacity level to match demand? This would reduce overall over capacity. However, overcapacity in the industry does not mean the same for any individual business. Just because the industry operates below capacity does not mean every firm is operating at this level. Alongside, consideration needs to be given to how easy it is for any given business in any industry to actually cut capacity. Reducing prices may well be good for a business where reducing capacity would actually be difficult to achieve e.g. the steel industry.
- What are the alternatives? e.g. more promotion costs money, whereas it does not cost money directly to cut prices (although may affect profits as promotion costs rise), so other factors may important in considering whether or not cutting prices is a good way.

Evaluation may consider

- The price elasticity of demand
- whether there may be a better alternative (but this should be linked back to whether price cutting is a good response or not)

0 3 . 3 Galin wants to increase labour productivity.

To what extent do you think that attempts by businesses to increase labour productivity will be welcomed by employees?

[16 marks]

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4 and AO4 = 7

Level	The student will typically demonstrate:	Marks
4	**An excellent response overall that is fully focused on the key demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well-selected in relation to issues in the question • demonstrates analysis throughout which is well-developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	13–16
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well-developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole throughout.	9–12
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and not fully focused on the question as a whole.	5–8
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	1–4

The demands of the question are:

- to consider a range of issues
- to clearly analyse whether attempts to increase labour productivity will be welcomed
- to have balance in arguments
- to judge the extent employees will welcome attempts by businesses to increase labour productivity.

Indicative content/answers may include:

Labour productivity is measured by the output per employee.

Increases in labour productivity may be welcomed by employees because:
- more output may lead to more sales and more profits and this may lead to higher earnings
- there may be greater job security as employees are productive.
- new systems and processes are introduced that motivate employees, supported by relevant examples.

Increases in labour productivity may not be welcomed by employees because:
- it may mean job losses if the same output overall is produced with less people
- it may involve more hours or work or just more work to do.
- new systems and processes are introduced that demotivate employees, supported by relevant examples.

Depends on:
- how any higher profits are shared out, e.g. does it lead to more employee earnings or is it invested in further product development
- how productivity is achieved, e.g. is it through 'more' work or through the use of better equipment?
- whether greater productivity affects quality
- how the need for greater productivity is explained and how the way it is going to be done is explained
- whether employees are involved in the process of how the increase in productivity is achieved
- how much the targeted increase in labour productivity is.

Accept other relevant answers.

Further guidance

There is no requirement to name businesses specifically.

0	3	In 2010 Mike introduced a new approach to operations in response to competitive pressures (lines 34–40). Using data from **Appendix B** and the **other information provided**, evaluate the extent to which this new approach has been successful. **[16 marks]**

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4 and AO4 = 7

Level	The student will typically demonstrate:	Marks
4	**An excellent response overall that is fully focused on the key demands of the question**. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	13 – 16
3	**A good response overall that focuses on many of the demands of the question**. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	9 – 12
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	5 – 8

1	**A limited response overall with little focus on the demands of the question**. Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**1 – 4**

The demands this question are:
- judgement on success of introduction of new approach to operations in addressing competitive pressures (improved quality and lowering prices)
- using data from **Appendix B** AND the case study (may include **Appendix C**).

Indicative content:
- inventory levels fell, dramatically, from £4m to £100,000 – freeing up working capital. This would also reduce stock holding costs – helping to address problem of competitors prices falling
- quality improved – faults per 1,000 units (already better than average) fell significantly from 5 to 1.5 – helping to maintain DWS Ltd's competitive advantage on quality
- cost of buying materials rose, from £1,100 to £1,350 – probably the result of buying smaller quantities since the switch to JIT – reducing opportunities for purchasing economies of scale. This would harm attempts to maintain competitive prices
- £3m cost – annual profit fell to £2m despite rise in revenue of £4m
- Kaizen may have improved employee engagement (which was already high).

Good judgement will consider context of business, weighing relative importance of these changes caused by lean to the corporate strategy of high value, top quality.

Further guidance
Approaches <u>are likely</u> to be:

Excellent: Well-developed 2-sided argument, appendix B and other information used, and focused on the impact on competitive pressures

Good: EITHER well-developed 2-sided argument with Appendix B or other information used and focused on competitive pressures OR both Appendix B and other information used but not focused on competitive pressures

Reasonable: argument(s) on the impact of lean production at DWS, lacking balance

Limited: some relevant points

NOTE: Further guidance on data on final page of this mark scheme

0 3	AM plc will use a 'Just in Time' system at its new factory. To what extent do you agree that this is a good idea? **[16 marks]**

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4, AO4 = 7

Level	The student will typically demonstrate:	Marks
4	**An excellent response overall that is fully focused on the key demands of the question**. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	**13–16**
3	**A good response overall that focuses on many of the demands of the question**. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**9–12**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**5–8**
1	**A limited response overall with little focus on the demands of the question**. Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**1–4**

The demands of this question are:

- analyse the pros and cons of using JIT
- in the context of AM plc's new factory
- justify a judgement on whether this is a good idea.

Indicative content:

Positives
- Zero stock of finished goods reduces the need for storage space and clutter within the factory. This should minimise overheads. In addition, there is no chance of finished goods becoming obsolete – a potential issue in a technology-driven industry such as this one.
- Minimising stock of materials and components means space is once more saved – reducing overheads, plus less cash is tied up in stock – helping the firm's liquidity at a time when cash is relatively tight – current ratio = 1
- Previous inventory turnover was four times per year – exceptionally low – JIT would significantly improve this figure.

Negatives
- May miss out on purchasing economies of scale – although business will now be fairly low volume.
- May struggle to meet sudden surges in demand with no stocks of finished goods – though this market is less likely to have surges than their former market. Furthermore, lead times will be higher if production does not start until an order is placed – but customers may be willing to wait if products can be tailored to their requirements.
- The environmental impact of many small deliveries creating more road traffic is a negative.

Accept other relevant arguments

Evaluation:

An effective judgement should flow from the arguments presented. Judgement is likely to come through the extent to which AM plc would be affected by the negatives – many industrial customers may be willing to wait for their product to be made from scratch, whilst most suppliers are UK based and should be able to deliver components rapidly.

0	3	To what extent does the data in **Appendix A** suggest that building the new production facility will improve Logger Boards Ltd's operational efficiency? **[16 marks]**

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4, AO4 = 7

Level	The student will typically demonstrate:	Marks
4	**An excellent response overall that is fully focused on the key demands of the question**. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	**13–16**
3	**A good response overall that focuses on many of the demands of the question**. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**9–12**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**5–8**
1	**A limited response overall with little focus on the demands of the question**. Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**1–4**

The demands of this question are:
- analyses the impact of the new production facility on operational efficiency
- uses data from **Appendix A**
- makes a judgement on the extent to which the data shows an improvement in operational efficiency.

Indicative content:
Indications that operational efficiency will improve:
- productivity is forecast to rise from 500 to 600 units per worker per year – this should lower labour cost per unit
- capacity will be higher – increasing threefold from 2 500 to 7 500
- the variable cost per unit is forecast to fall from £300 per unit (£750 000/2 500) to £266.67 per unit (total cost per unit = £350, of which fixed cost per unit = £250 000/3 000 = £83.33, so variable cost per unit = £266.67.

Indications that operational efficiency will not improve:
- no change to total cost per unit
- capacity utilisation falls from 100% to 40%
- there is a small reduction in the % of waste that is recycled.

Accept other relevant arguments.

Note – arguments using data from **Appendix B** can be credited, but not as meeting the second demand of the question.

Evaluation
An effective judgement should flow from the arguments presented, which should relate clearly to the data in **Appendix A.** Judgement is likely to come through a measured assessment of the extent to which operational efficiency will improve, though this looks likely to depend on future demand – if the business can increase capacity utilisation in the future through increased sales, unit costs will fall.

Students that point out that the data for the new workshop is a forecast can be credited where this observation is used to specifically address the question of improvement in operational efficiency – most notably in identifying the pivotal role that future sales will play in determining capacity utilisation and cost per unit.

Noting that the forecast data may allow for teething troubles in the first year of the new workshop should also be credited.

0	6	Effective capacity management involves ensuring a business has the right level of capacity in the right place to match demand. To what extent is effective capacity management always harder for large, multinational businesses than small businesses? **[24 marks]**

Marks for this question: AO1 = 5, AO2 = 4, AO3 = 6, AO4 = 9

Level	The candidate will typically demonstrate	Marks
5	**An excellent response overall that is fully focused on the key demands of the question**. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	**21–24**
4	**A good response overall that focuses on many of the demands of the question**. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**16–20**
3	**A reasonable response overall that focuses on some of the demands of the question**. Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**11–15**

2	**A limited response overall with little focus on the demands of the question**. Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**6–10**
1	**A weak response overall lacking focus on the demands of the question**. Provides an answer to the question set that: • demonstrates isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question • makes judgements or proposes solutions based on assertions.	**1–5**

The demands of this question are:
- shows an understanding of the terms 'capacity' and 'demand'
- analyses reasons why managing capacity may be hard for both large multinationals and for small businesses
- offers a justified judgement of whether managing capacity is harder for large multinationals or small businesses.

Indicative content:
Yes, harder for large multinationals because:
- greater capacity overall so more scope for unused capacity
- likely to be coping with larger absolute changes in demand
- may have wider range of facilities/products
- more decisions to be made and got right
- subject to more external changes
- smaller businesses are more likely to be nimble and adaptable perhaps due to flatter structures allowing customer feedback to reach decision-makers faster.

No, not harder for large multinationals because:
- scope to shift production to locations with spare capacity
- external changes in one country, eg recession may be cancelled out by growth in another
- multinationals are likely to have access to more resources enabling them to be flexible
- resources can be used to more accurately forecast demand and make changes to capacity in advance
- smaller businesses likely to face bigger proportionate changes in demand, external changes more likely to have large impact.

Accept other relevant arguments.

Evaluation
Though capacity management for multinationals may be more complex, managers may have more experience and certainly greater resources available to help them address the challenge.

Managing capacity successfully may depend on factors other than scale, such as cultural response to change and flexibility, effectiveness of forecasting and ability to effectively manage change. The type of product/service may also be important – digital products/platforms may be relatively easy to flex capacity to meet demand in other places relatively quickly, as may some transport/logistics businesses with assets that can travel may find it relatively easy to adapt in the medium term, eg airlines flying to new destinations.

2	4	Will the introduction of lean production always lead to lower unit costs? Justify your view. **[25 marks]**

25-mark evaluative questions: AO1 = 5, AO2 = 4, AO3 = 6 and AO4 = 10

Level	The student will typically demonstrate:	Marks
5	**An excellent response overall that is fully focused on the key demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	**21–25**
4	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**16–20**
3	**A reasonable response overall that focuses on some demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**11–15**
2	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**6–10**

1	**A weak response overall lacking focus on the demands of the question.** Provides an answer to the question set that: • demonstrates isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question • makes judgements or proposes solutions based on assertions.	**1–5**

The demands of the question are:
- understanding the meaning of lean production
- understanding unit costs
- analysing how lean production might affect unit costs
- evaluating whether lean production will always lead to lower unit costs.

Indicative content may include:
Recognising that lean production can lead to changes in unit costs in different ways:

It may lead to lower unit costs because:
- it reduces the need for inventory, thus reducing losses due to waste, damage or depreciation of value
- it reduces warehousing space, thus lowering costs such as rent
- faster speed of response leads to savings in time; thus lowering costs
- the use of Kaizen can lead to new approaches that increase productivity and thus reduce unit costs
- greater involvement of employees can lead to higher motivation and thus cost benefits arising from lower labour turnover and more productive staff.

It may lead to higher unit costs because:
- lean production involves JIT delivery. Inventory tends to be purchased more regularly but in smaller quantities. This means a business may not be able to benefit from bulk-buying discounts and so unit costs will rise
- Kaizen activities can take time and if new ideas do not improve efficiency, unit costs of production will rise
- 'right-first-time' quality assurance can lead to very high expenditure if a defect is not detected and a batch of faulty products is manufactured
- lean production often focuses on improving quality and added value. Consequently, its emphasis might be on achieving a higher price for the product, often because it is superior to competitors' products. Consequently, unit costs may be higher because the main aim is to increase profits
- the new system will require cultural change. This may be a barrier to overcome, leading to higher unit costs, at least in the short-term.

Evaluation

Evaluation should provide a conclusion, on whether unit costs will rise or fall, based on the arguments provided in the essay.

Overall, the quality of evaluation will depend on the focus of the analysis in the answer. Lean production should lead to lower unit costs in many situations, but it may lead to higher unit costs because implementation is inefficient OR because the emphasis on the business is to achieve higher quality, which is unlikely to be compatible with lower unit costs.

Any changes to processes are likely to lead to rising unit costs in the short-term, even if lower unit costs are achieved in the medium or long-term.

NB. Credit should be given to any relevant approaches to this question. Lean production covers a broad area, but students will not be expected to provide a lot of breadth in the time allowed. Evaluation will be assessed based on the logic of judgement based on the aspects of lean production that the student has chosen to analyse and evaluate.

Question 10 · Section A objective test question

Correct answer: C

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 10 · Section A objective test question

Correct answer: C

Statement 1 is false. Statement 2 is true.

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 11 · Section A objective test question

Correct answer: A

Statement 1 is true. Statement 2 is true.

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Section B

Total for this section: 20 marks

1 1	A business manufactures high volumes of cakes for a leading supermarket. Explain **one** advantage for this business of using a system of quality assurance as a method of managing quality. **[3 marks]**

Marks for this question: AO1 = 2 and AO2 = 1

Level	The candidate will typically:	Marks
3	Provide a response that is well explained using knowledge and understanding and is applied to the context.	3
2	Provide a response that is explained using knowledge and understanding and is applied to the context.	2
1	Demonstrate some knowledge and understanding but the explanation is limited and lacking application to the context.	1

The demands of the question are:

- explain one advantage of using quality assurance
- as a method of managing quality
- for this business.

Indicative content:

- quality assurance involves all employees in ensuring quality is present at each stage of the process
- if errors are allowed to occur these cake products would probably need to be thrown away
- given that large volumes are being produced this could be expensive. Using quality assurance can therefore save costs of wastage.
- given that the business is selling to a leading supermarket, this could be a very important order for the manufacturer. Therefore, ensuring consistently high levels of quality (through quality assurance) is likely to be vital in maintaining a crucial relationship with a major customer

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

0 3 . 1 Using **Table 2** calculate the employee retention rate for Chillax Ltd in 2020.

[2 marks]

Marks for this question: AO1 = 1 AO2 = 1

Correct answer: 90% (**2 marks)**

$$\frac{\text{Employees staying all year}}{\text{Number of employees at the start of the year}} \times 100$$

$$\frac{162}{180} \times 100 = 90\%$$

2 marks for correct answer
1 mark for formulae or definition, demonstrating understanding of employee retention

0 3 . 2 Analyse how Chillax Ltd benefits from its focus on quality.

[6 marks]

Marks for this question: AO1 = 2, AO2 = 2, AO3 = 2

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a good knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	**5–6**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a reasonable knowledge and understanding of issues in the question • demonstrates analysis which is developed and is applied to the context.	**3–4**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–2**

The demands of the question:
• How Chillax benefits from focus on quality
• in a service sector context provided by the case of Chillax.

Indicative content / answers may include:
• luxury health spa means customer expectations will be high so high quality in all aspects will be important and could encourage customer loyalty
• in this case Chillax is keen to encourage employees to provide high quality service to customers, paying attention to quality at every stage will enhance this further
• customer feedback is gathered frequently suggesting this is monitoring opinion about service quality this information will help improve and meet customer needs and potentially attract new customers
• quality may empower and enrich employees again possibly improving elements of customer service, and a relevant part of how staff are managed in this business may improve staff retention.

Accept other relevant answers.

0 3 . 2	Analyse how Dodo would benefit from being the best in its market for its chosen quality measures. **[9 marks]**

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	**7–9**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a reasonable knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed and is applied to the context.	**4–6**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

The demands of the question are:
- show understanding of quality measures
- analyse how being the best in its market in the quality measures mentioned in the case may benefit Dodo.

Arguments may include:
- high levels of punctuality will mean fewer knock-on effects to the operation – for example fewer delays to other flights later in the day that are using the same plane. This is particularly important for low-cost airlines where planes have short turnaround times so have little scope for absorbing time lost
- higher levels of punctuality than the rest of the industry may attract segments of the market that value punctuality, for example business customers who feel more confident that they will arrive on time for their meeting or conference. This is a valuable segment as they are customers who are prepared to pay a high price
- arriving on time will avoid customer dissatisfaction and may lead to reduced levels of customer complaints
- lower levels of complaints mean less compensation paid out and a better reputation. Airlines are regulated by the CAA and delays can mean passengers are entitled to compensation. A good reputation may give an airline competitive advantage
- lower levels of complaints may indicate satisfied customers which may lead to repeat business. For example, leisure tourists may take several short breaks in a year so if an airline can keep their business, it reduces the need to spend money on advertising to attract new customers.

Accept all relevant arguments.

0	7	VeganLife Ltd wants to introduce a new quality assurance system. Evaluate the impact that a quality assurance system could have on the competitiveness of VeganLife Ltd. **[16 marks]**

Marks for this question: AO1 = 4, AO2 = 2, AO3 = 4, AO4 = 6

Level	The candidate will typically demonstrate	Marks
4	**An excellent response overall that is fully focused on the key demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	**13–16**
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed and applied effectively to the context • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole throughout.	**9–12**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed and applied to the context • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**5–8**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**1–4**

The demands of the question focus on:

- a discussion of what quality assurance (QA) is
- an understanding of what QA is
- an analysis of the arguments for and against VL introducing a QA system
- a judgement on the impact that the introduction of a QA system will have on VL's competitiveness

Indicative content may include:

- This would be a change to how quality is checked and controlled at VL. VL currently have one staff member in charge of quality control, this new system may increase efficiency and therefore competitiveness.
- Focus on QA and how it is a culture for all workers to be involved, this would be a change for the workers at VL and how they are used to working. If this is a positive impact then the workers may become more quality focused and this is likely to improve quality, leading to further competitiveness.
- If quality improves VL may sell more goods, demand may increase so more products will be coming in and then being sent out of the warehouse, increasing productivity.
- Currently VL are losing contracts and orders due to quality issues, losing VL revenue and future revenue; threatening VL's competitiveness.
- VL aim to improve motivation with its workers and this could be a good way to do this as it is giving them more skills, they have to be trained and could make them more responsible for their work. Improving the skills of the workforce at VL will improve competitiveness.
- VL staff may view this as more work for them to do and it could have de-motivating factors for some staff which could affect quality and increase VL's unit costs.
- VL staff may embrace the training they have to do or may be frustrated at having to do it, this in turn can affect quality and unit costs and therefore impact VL's competitiveness.
- QA is ensuring that customer needs and wants re quality are met, this could increase demand for VL's products, make VL more competitive.
- Other competitors use a QA system, these competitors may have lower unit costs than VL because of this.
- Competitors using a QA system may have higher quality products than VL because of this.
- VL is reacting to changes in the market, more competitive with fierce competition from big cosmetic companies, QA is way to try and rival these, consistently high quality products will keep VL's loyal customer and attract new ones.
- VL staff may view this as a positive way to ensure everyone is checking quality of the goods.
- Depends on the individual staff, groups of workers as to how they will react to the new system.
- Workforce reaction will depend on how the system works and how it is introduced.
- Cost of the system; workers/shareholders may feel frustrated that money is not being used to reward them, dividends for shareholders, increased pay for workers or be invested elsewhere.
- Initial cost of £100,000 will impact on the unit costs for a period.
- Opportunity cost implications.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

2 4	A business decides to make increasing profits its main objective. Is it inevitable that this business will need to improve its quality to achieve this objective? Justify your view. **[25 marks]**

25-mark evaluative questions: AO1 = 5, AO2 = 4, AO3 = 6 and AO4 = 10

Level	The student will typically demonstrate:	Marks
5	**An excellent response overall that is fully focused on the key demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	**21–25**
4	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**16–20**
3	**A reasonable response overall that focuses on some demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**11–15**
2	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**6–10**

1	**A weak response overall lacking focus on the demands of the question.** Provides an answer to the question set that: • demonstrates isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question • makes judgements or proposes solutions based on assertions.	**1–5**

The demands of the question are:
- understanding the meaning of profitability and quality
- analysing how improvements in quality of the product or process of providing a product may enhance profitability
- analysing situations when profitability improvements may not depend on improved quality
- evaluating whether improving quality is necessary in order to increase profit.

Indicative content may include:
Analysing key ways for improving profitability and the role of quality in this approach:

- increasing price in order to widen the gap between price and unit costs and thus improve profitability. This can be achieved by enhancing the image of products and improving brand loyalty. Customers are likely to be willing to pay higher prices if they consider the product quality to have been improved, through an improved product or marketing that enhances the value of the brand
- cutting costs can enable a business to increase added value and thus profitability, if the price remains the same. This may arise from improving the quality of the manufacturing process, but may rely on other causes such as cheaper raw materials or lower wages
- increasing sales volume in order to increase total profit, although this may not affect profitability as such. This may arise because the product quality has been improved but can be caused by other factors, such as improved marketing.

Analysing strategic positioning as a way to improve profitability:

- A business choosing a low-cost strategy is unlikely to focus on quality of product, but may depend on higher quality processes to lower costs.
- A differentiation strategy usually requires an improved perception or uniqueness of a product; this is likely to depend on higher quality products being provided, although this quality may be the result of marketing rather than changes to the product itself.

Evaluation
Overall, the two strategic ways of improving quality shown in the bullet points above both lead to higher profit. However, there are other ways of improving profit, such as cheaper costs, enhanced image building and creating barriers to entry to a market. The nature of the market and external factors, such as economic and social changes, can also affect profitability, even where there is no change in quality. Consequently, quality can be an important influence on profitability but it is not inevitable that improved quality is needed to improve profitability.

2	**4**	'A system of quality assurance will always lead to greater profits than a system of quality control.' Do you agree? Justify your view. **[25 marks]**

25-mark evaluative questions: AO1 = 5, AO2 = 4, AO3 = 6 and AO4 = 10

Level	The student will typically demonstrate:	Marks
5	**An excellent response overall that is fully focused on the key demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	**21–25**
4	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**16–20**
3	**A reasonable response overall that focuses on some demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**11–15**

2	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**6–10**
1	**A weak response overall lacking focus on the demands of the question.** Provides an answer to the question set that: • demonstrates isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question • makes judgements or proposes solutions based on assertions.	**1–5**

The demands of the question are:
- understanding profit and the distinction between quality assurance and quality control
- recognising the possible impact of a system of quality assurance (QA), and also the impact of a system of quality control (QC) on the level of profit
- assessing whether (or not) quality assurance (QA) will have a more positive impact on profits than quality control (QC).

Indicative content:
Recognising that any system that improves quality is likely to increase profit levels through:
- enhancing the quality and perceived value of the product, leading to a higher volume of sales and thus profit
- enhancing quality and thus enabling a business to increase its price and profit margin/making the demand for the product more price inelastic
- decreasing wastage, leading to a reduction in unit costs and thus an increase in profit margins.

Analysing the reasons why quality assurance (QA) might be better than quality control (QC):
- analysing how quality assurance (QA) gives greater responsibility to workers and thus acts as a motivator
- explaining how quality assurance (QA) is based on a philosophy of 'right-first-time'. This should lead to much lower levels of wastage
- recognising that QA may lead to more consistent quality levels, as everyone's role incorporates a focus on ensuring quality
- analysing that QA eliminates the need for an inspection team, thus saving costs, particular expect a higher payment than production line workers
- demonstrating that quality control may have a negative impact on quality as workers regard quality as the inspector's job and so may produce more sub-standard products.

Analysing the reasons why quality control (QC) might be better than quality assurance (QA):
- QC involves less training and so may be more cost-effective than QA, if QA only leads to a marginal improvement in quality
- QA relies on every worker avoiding mistakes. This is likely to be unrealistic
- QC is geared towards preventing faulty products from leaving the business; this may not be guaranteed with a QA system.

Evaluation
Both approaches are geared towards improving quality and thus profit. The final conclusion should derive from the arguments that are selected by the individual student and so there is no definitive conclusion.

Evaluation could also focus on different features relating to the choice between QA and QC, such as the culture of the business, the leadership style of the managers, the skills of the workforce, the nature of the product, the importance of quality to the customer and the level of competition in the market.

It could be argued that both methods are undesirable and unnecessary if customers are not prepared to pay a higher price for quality.

Marker's Note: If an answer confuses QA & QC throughout, treat this as a major mis-categorisation. However, allow up to 9 marks for an answer that makes this error but shows a good understanding of how the two different approaches to quality might influence profits as such an answer is showing understanding of quality as a concept.

Question 06 · Section A objective test question

Correct answer: A

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 07 · Section A objective test question

Correct answer: D

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 07 · Section A objective test question

Correct answer: C

End of day 4 to end of day 6

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 08 · Section A objective test question

Correct answer: C

Day 5

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 04 · Section A objective test question

Correct answer: D

Reduced unit costs

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 06 · Section A objective test question

Correct answer: C

Statement 1 is false. Statement 2 is true.

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 07 · Section A objective test question

Correct answer: B

12 components

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 15 · Section A objective test question

Correct answer: D

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 11 · Section A objective test question

Correct answer: B

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 04 · Section A objective test question

Correct answer: B

Situation B

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

Question 14 · Section A objective test question

Correct answer: C

Outsourcing more production to other manufacturers

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key

0 3 . 1	With reference to **Figure 1**, calculate the lead time. **[2 marks]**

Marks for this question: AO1 = 1, AO2 = 1

Reading from the graph:

Reorder level is reached on day 11
Inventory arrives on day 15
Lead Time is 15-11 = **4 days**

An alternative method is:
In 15 days it has used 5250 units (6000 – 750)
It reorders at 2150 and has a buffer of 750 i.e. uses 1400 after reordering

1400/5250 is the proportion used after reordering

So (1400/5250) x 15 = **4 days** which is the lead time

2 marks for correct answer of **4 days**
1 mark for answer 4 but no 'days'
1 mark for definition, demonstrating understanding of lead time

0 3 . 2	With reference to **Figure 1**, calculate the re-order quantity. **[2 marks]**

Marks for this question: AO1 = 1, AO2 = 1

Maximum stock level is 6,000; Buffer stock level 750. 6,000 - 750 = 5,250

2 marks for correct answer of **5250 units**
1 mark for 5250 with no 'units'
1 mark for 3850 units
1 mark for definition, demonstrating understanding of reorder quantity

0 3 . 3	With reference to **Figure 1**, calculate how much inventory DT uses each day. **[2 marks]**

Marks for this question: AO1 = 1, AO2 = 1

The reorder quantity (5250) is used over a period of 15 days.

$\frac{5250}{15}$ = 350 units per day.

Credit alternative methods to calculate the same figure.

2 marks $\frac{\text{OFR (from 3.2)}}{15}$ = x units per day
2 marks for correct answer of **350 units/units per day**
1 mark for answer 350 but no 'units/units per day'
1 mark for some understanding or partial calculation eg one error

0 3 . 1	With reference to **Figure 1**, calculate the lead time. **[2 marks]**

Marks for this question: AO1 = 1, AO2 = 1

Reading from the graph:

Reorder level is reached on day 11
Inventory arrives on day 15
Lead Time is 15-11 = **4 days**

An alternative method is:
In 15 days it has used 5250 units (6000 – 750)
It reorders at 2150 and has a buffer of 750 i.e. uses 1400 after reordering

1400/5250 is the proportion used after reordering

So (1400/5250) x 15 = **4 days** which is the lead time

2 marks for correct answer of **4 days**
1 mark for answer 4 but no 'days'
1 mark for definition, demonstrating understanding of lead time

0 3 . 2	With reference to **Figure 1**, calculate the re-order quantity. **[2 marks]**

Marks for this question: AO1 = 1, AO2 = 1

Maximum stock level is 6,000; Buffer stock level 750. 6,000 - 750 = 5,250

2 marks for correct answer of **5250 units**
1 mark for 5250 with no 'units'
1 mark for 3850 units
1 mark for definition, demonstrating understanding of reorder quantity

0 3 . 3	With reference to **Figure 1**, calculate how much inventory DT uses each day. **[2 marks]**

Marks for this question: AO1 = 1, AO2 = 1

The reorder quantity (5250) is used over a period of 15 days.

$\frac{5250}{15}$ = 350 units per day.

Credit alternative methods to calculate the same figure.

2 marks $\frac{\text{OFR (from 3.2)}}{15}$ = x units per day
2 marks for correct answer of **350 units/units per day**
1 mark for answer 350 but no 'units/units per day'
1 mark for some understanding or partial calculation eg one error

0 3 . 1	With reference to **Figure 1**, calculate the lead time. **[2 marks]**

Marks for this question: AO1 = 1, AO2 = 1

Reading from the graph:

Reorder level is reached on day 11
Inventory arrives on day 15
Lead Time is 15-11 = **4 days**

An alternative method is:
In 15 days it has used 5250 units (6000 – 750)
It reorders at 2150 and has a buffer of 750 i.e. uses 1400 after reordering

1400/5250 is the proportion used after reordering

So (1400/5250) x 15 = **4 days** which is the lead time

2 marks for correct answer of **4 days**
1 mark for answer 4 but no 'days'
1 mark for definition, demonstrating understanding of lead time

0 3 . 2	With reference to **Figure 1**, calculate the re-order quantity. **[2 marks]**

Marks for this question: AO1 = 1, AO2 = 1

Maximum stock level is 6,000; Buffer stock level 750. 6,000 - 750 = 5,250

2 marks for correct answer of **5250 units**
1 mark for 5250 with no 'units'
1 mark for 3850 units
1 mark for definition, demonstrating understanding of reorder quantity

0 3 . 3	With reference to **Figure 1**, calculate how much inventory DT uses each day. **[2 marks]**

Marks for this question: AO1 = 1, AO2 = 1

The reorder quantity (5250) is used over a period of 15 days.

$\frac{5250}{15}$ = 350 units per day.

Credit alternative methods to calculate the same figure.

2 marks $\frac{\text{OFR (from 3.2)}}{15}$ = x units per day
2 marks for correct answer of **350 units/units per day**
1 mark for answer 350 but no 'units/units per day'
1 mark for some understanding or partial calculation eg one error

1	4	*Explain **two** factors that might influence how much inventory is held by a restaurant.* **[4 marks]**

AO1 = 2 and AO2 = 2

Level	The candidate will typically:	Marks
3	Provide a response that is well explained using knowledge and understanding and is applied to the context.	4
2	Provide a reasonable explanation using knowledge and understanding and with some application to the context.	3-2
1	Demonstrates some knowledge and understanding but the explanation is limited and lacking application to the context.	1

Demands of the question focus on:

- explaining factors that influence how much inventory is held
- by a restaurant.

Indicative content:

- costs of holding items and opportunity cost, eg some items may be expensive (such as wine) and this may limit the number of items held and the number of options held on the menu
- space available; space taken up for a stockroom is not being used for tables and is not earning revenue
- lead times; if quick this can reduce the amount go stock held. Many food items may be readily available quickly
- with food likelihood of it going off so won't want to hold much stock for these items. However will vary for item to item, eg fresh and frozen food
- demand may be higher at certain times, eg special occasion such as Valentine's Day so inventory may need to be higher then.

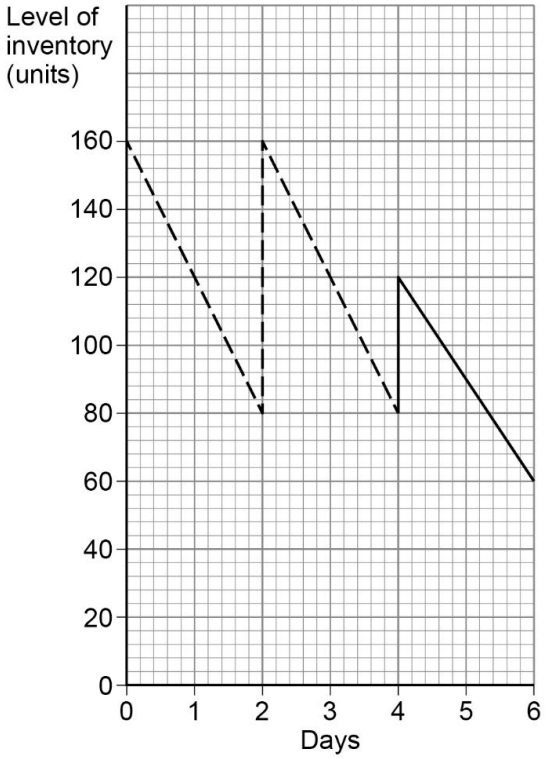
further guidance:

- identifies one relevant **factor** = L1 (1)
- identifies two relevant **factors** = L2 (2)
- identifies one + explanation = L2 (2)
- identifies two + explains only one = L2 (3)
- identifies two relevant **factors** + explains both = L3 (4)

Section B

1	6	Question **16** is based on **Figure 3**, which shows the level of inventory for a product held in a supermarket until the end of day four. The reorder quantity arriving at the end of day 4 is half the level of the reorder quantity that arrived at the end of day 2. After the end of day 4 to the end of day 6 demand will fall to 30 units per day. Show these **two** changes **on Figure 3** by drawing in the lines that show inventory levels from the end of day 4 to the end of day 6. **[4 marks]**

The diagram below shows the shape of the lines from the end of day 4 to the end of day 6.



Maximum: 4 marks

Marks awarded as follows: **Max 4 marks**

Vertically above the 4 days on the x-axis:

- vertical line drawn upwards **(1 mark)**
- vertical line is drawn upwards and 40 units in length **(1 mark)**

Between days 4 and 6 on the graph:

- the line showing inventory levels slopes downwards **(1 mark)**
- the slope falls from 120 units to 60 units between day 4 and day 6 **(1 mark)**

NB OFR applies for the latter mark if the inventory level at 4 days is not 120.
For any slope that falls by 60 units from day 4 to day 6 award **1 mark** (OFR)

Indicative content may include:

- Many start-ups may have limited financial resources and therefore undertake some primary market research such as a quick survey themselves as this could reduce costs and provide more accurate results than secondary for them to base decisions on.
- A start up is likely to want information specific to its particular situation or may be targeting a gap in the market about which information is not currently available.

1 4 Analyse **one** way in which having seasonal patterns of demand may affect the operational decisions of a business.

[6 marks]

Marks for this question: AO1 = 2, AO2 = 2 and AO3 = 2

level	the student will typically demonstrate:	marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a good knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	**5–6**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a reasonable knowledge and understanding of issues in the question • demonstrates analysis which is developed and is applied to the context.	**3–4**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly	**1–2**

	descriptive application to the context.	

The focus (demands) of the question:

- One way that seasonal patterns of demand may affect the operational decisions of a business (to develop a logical explanation as to the potential impact of seasonal demand on the operational decisions of a business). Focus on operational decisions not those of other functional areas (e.g. marketing) or business decisions in general.

further guidance:

- L1: likely to be just descriptive / showing some general understanding of the link between demand and business decisions
- L2: likely to be focused on **either** decisions in general or impact of seasonal demand
- L3: explanation focused on impact of **seasonal demand on operational decisions**

Indicative content may include:

- Seasonal demand could impact on operational decisions in many ways - for example, capacity utilisation or numbers of production line staff may be at different levels during peaks and lows in the year.
- This could impact on the level of inventory that a business would need to produce and hold during these periods.

Section C: Data Response

Total for this section = 50 marks

1 5 . 1 Use **Table 1** to analyse the weaknesses of AC Ltd's financial position on 31 December 2016.

[9 marks]

9 mark analytical questions: AO1 = 3, AO2 = 3 and AO3 = 3

Level	the student will typically demonstrate:	marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a good knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	7–9
2	**A reasonable response overall that focuses on some of the**	4–6

0	2	.	1	Explain how mass customisation benefits the shareholders of car manufacturers. **[6 marks]**

Marks for this question: AO1 = 2, AO2 = 2 and AO3 = 2

Level	The student will typically demonstrate:	marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that : • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	5–6
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that : • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed and is applied to the context.	3–4
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that : • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	1–2

The focus of the question is on:

- How mass customisation could benefit a car manufacturing company that would then impact positively on shareholders i.e. profits and dividends and/or share value.

Indicative content may include:

- May meet customer requirements more effectively leading to more sales or repeat business (so customers stay loyal to this car brand over time) this could lead to higher revenue and profits longer term; this could boost dividends and increase dividend yield, increasing the value of shares over time.
- May enable a car manufacturer to retain sales and not lose them to competitors or attract new customers, by offering the customer exactly what they want protecting or increasing market share, this could help maintain or increase price.
- Customisation may give the company a certain USP (eg through unique designs) allowing them to charge higher prices, leading to greater profits and greater margins again improving dividends and share price.

0	**3**	G-Free Ltd intends reducing the number of suppliers they use by 50%. Analyse how reducing the number of suppliers could improve G-Free Ltd's future operational performance. **[9 marks]**

Marks for this question: AO1 = 3, AO2 = 3, AO3 = 3

Level	The candidate will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed and is applied effectively to the context.	**7–9**
2	**A reasonable response overall that focuses on some of the demands of the question** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed and is applied to the context.	**4–6**
1	**A limited response overall with little focus on the demands of the question** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

The focus of the question is on:

- explaining how reducing the number of suppliers could improve the company's operational performance (such as quality issues / reliability/unit costs)

Indicative content may include:

- Understanding of operational performance indicators and the link to suppliers will form the foundation for an effective answer. G-Free Ltd has had issues with reliability from suppliers in the past – as the business has grown. The nature of this niche market will rely on quality and reliability – the suppliers of raw materials must offer 100% certainty of being gluten free as customers pay a premium price for this certainty.
- Choosing fewer suppliers could enable better relationships and monitoring this could eliminate more errors such as not supplying gluten free products.

0	4	Analyse the financial benefit to HS of having a flexible workforce. **[9 marks]**

Marks for this question: AO1 = 3, AO2 = 3, AO3 = 3

Level	The candidate will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed and is applied effectively to the context.	**7–9**
2	**A reasonable response overall that focuses on some of the demands of the question** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed and is applied to the context.	**4–6**
1	**A limited response overall with little focus on the demands of the question** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with • mainly descriptive application to the context.	**1–3**

The demands of the question focus on:

- understanding the benefit(s) of a flexible workforce to HS
- analysing the ways in which this may generate **financial** benefit(s) for the organisation.

Indicative content may include:

- At HS the flexible work force is casual/seasonal staffing; part time staff or volunteers.
- The flexible work force allows benefits, eg this could be argued through the managing of the pattern of demand (seasonally and fluctuating daily) – matching demand with supply will make best use of resources
- The benefit should be expressed through its impact on costs or demand (to link towards the question of financial benefit
- Long serving volunteers (are part of the flexibility) seem committed and have valuable experience at no cost – hence financial benefit.

Approaches are likely to be:

- a good argument will show how aspects of the flexible work force may be beneficial. It will follow an argument through as to how this will benefit HS financially
- a reasonable argument may develop a relevant point but with a less clear link to financial benefit(s) or to HS specifically
- each element of the workforce structure can be covered separately and credited as individual points if analysed as a financial benefit.

0	4	*Rana Fashion outsources its distribution function.* *Analyse **two** reasons why.* **[9 marks]**

Marks for this question: AO1 = 3, AO2 = 3, AO3 = 3

Level	The candidate will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed and is applied effectively to the context.	7–9
2	**A reasonable response overall that focuses on some of the demands of the question** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed and is applied to the context.	4–6
1	**A limited response overall with little focus on the demands of the question** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with • mainly descriptive application to the context.	1–3

The focus of the question is on:

The reasons for outsourcing Rana Fashion's distribution.

Indicative content may include:

- Claudia has expertise in fashion and the supply chain rather than on logistics/delivery/transport. Outsourcing will allow Rana Fashion to concentrate on their core business rather than being distracted onto running other aspects
- Rana Fashion setting up their own distribution and delivery would be expensive – needing their own vehicles; IT and staffing
- E-commerce has seen Rana Fashion selling in other countries, e.g. USA and Europe, international distribution companies will have expertise and experience in this
- The other companies have existing logistics networks UPS in 220 countries.

Question asks for two reasons – one in context would be Level 2.

17 . 1	With reference to **Table 3**, analyse the ways in which changing supplier could improve Glade Ltd's profits. **[9 marks]**

Marks for this question: AO1 = 3, AO2 = 3 and AO3 = 3

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a good knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	**7–9**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a reasonable knowledge and understanding of issues in the question • demonstrates analysis which is developed and is applied to the context.	**4–6**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

The demands of the question are:

- analyse the ways in which Glade Ltd changing suppliers will increase profits.

Indicative content:

- Glade must consider the ethical and environmental impact of changing supplier as the current supplier is 70% recycled materials which would allow them to be a leading force in their industry. By switching to the new supplier this mission of being the leading producer of recycled product will be improved further and extend their market advantage. In the long term this could improve their sales figures and profits
- Glade must consider the capacity utilisation of these two suppliers. The new supplier would easily be able to manage with the expansion that Glade is planning on. However, the target of 3 years is a long way off so in time the existing supplier may be able to react over this time and is very close to being able to match their targets. It is important if they want to continue to increase sales that they have the chance to expand rapidly to improve sales revenues and increase profits
- the lead time for the new supplier would allow them to sell some of the warehouse space and work in a more efficient manner, closer to just-in-time, saving money and increasing the profit margin.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

Section C

Total for this section: 50 marks

16	.	1	Analyse how increasing the level of inventory held could impact on BZT Ltd's profitability. **[9 marks]**

Marks for this question: AO1 = 3, AO2 = 3 and AO3 = 3

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	**7–9**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed and is applied to the context.	**4–6**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

The demands of the question are:

- analyse the impact on profitability of increasing inventory held by BZT Ltd.

Indicative content:

- increasing inventory held would allow more branded goods to be available in store, reducing the complaints from customers and in turn improving online reviews and therefore leading to an improved reputation, which may allow it to raise prices to improve profitability on each good sold
- the holding of more inventory is likely to require larger amounts of storage, and given that BZT Ltd is a high street chain and its storage costs are relatively high this will force up its fixed costs and push down its profit per unit
- increasing the amount of inventory held will allow BZT Ltd to negotiate much larger discounts on its goods than it currently achieves due to bulk buying discounts. These discounts will reduce the cost of sales and increase its gross profit margins.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

0	4	Analyse the impact on BB if it decides to outsource the catering function of the business. **[9 marks]**

Marks for this question: AO1 = 3, AO2 = 3, AO3 = 3

Level	The candidate will typically demonstrate	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed and is applied effectively to the context.	**7–9**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed and is applied to the context.	**4–6**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

The demands of the question focus on:

- analysing the impact on BB if it decides to outsource the catering function

Indicative content may include:

- outsourcing is paying another business to make products, or parts of products for your business
- a benefit could be saving time which means that BB could use this saved time to train staff and focus on its core business of making balloon displays
- this could save the costs of getting in new equipment needed to make the additional food product and would reduce the need for storage and reduces storage costs. This in turn would reduce the pressure on capacity
- this could lead to further good reviews and reduce the negative reviews BB has recently received
- BB can focus on the many other things it needs to make decisions on, it can focus on its core business of making and selling balloons
- BB has had negative reviews of some of its food orders so it could be a good decision to let a business who has experience of doing it well to take over
- outsourcing runs the risk of further quality issues as BB may experience loss of control of the process. Additionally, would this suit Zoe and her style of managing the business?
- the possible link to the need for the new factory

- it could possibly make the cash flow problems worse, depending on the payment terms to the outsourcing company.

0	**5**	Analyse the factors PE Ltd should consider when choosing a new supplier. **[9 marks]**

Marks for this question: AO1 = 3, AO2 = 3, AO3 = 3

Level	The candidate will typically demonstrate	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed and is applied effectively to the context.	**7–9**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed and is applied to the context.	**4–6**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

The demands of the question focus on:

- analysis of which factors PE Ltd should consider when choosing a supplier.

Indicative content may include:

- as quality has been an issue for PE Ltd there could be an argument that PE Ltd need to pay for better raw materials and therefore choose a new supplier
- PE Ltd may need to be willing to pay more for raw materials, in order to get the quality needed to improve this position
- the financial impact/s of choosing a supplier that charges higher prices for raw materials; can PE Ltd afford to pay these costs?
- are customers willing and able to pay for an increase in price if PE Ltd decide to pass on the cost increase to the price of the products?
- will PE Ltd lose even more customers if it does not change supplier?
- PE Ltd have a five-year relationship with its current supplier; how easy is it to build up a new relationship?
- issues around trusting a new supplier to provide the raw materials

- the complaints/reviews problem needs addressing, is this a reason to change the supplier?
- the need for just-in-time delivery to be available to PE Ltd to help solve the storage costs issue

0 1 . 4	The closure of branches is seen as a way for the 'Big 5' banks to better match supply with demand. Analyse how this action might affect the profits of these banks. **[9 marks]**

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well-developed and is applied effectively to the context.	**7–9**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed and is applied to the context.	**4–6**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and with mainly descriptive application to the context.	**1–3**

The demands of the question are:

- to analyse effect of branch closures on profits
- with some use of the context or situation of matching supply with demand.

Indicative content:

- Big 5 have reduced branch numbers
- the branch network is expensive as fixed assets are tied up in buildings etc and staff employed
- keeping busier branches will increase efficiency – removing surplus capacity, this will reduce fixed costs and so long as customers are not lost, will increase profits
- branch closures may cause customers to be dissatisfied and switch banks as customer service is worsened – the banks could see revenue falling if they have fewer customers
- publicity regarding closures may damage reputation of banks
- branches underused as internet banking use is rising – banks are moving resources towards this.

Allow other relevant arguments.

0	2	Analyse the value of effective inventory control to Hopps Clothing Ltd. **[12 marks]**

Level	The student will typically demonstrate:	Marks
3	**A good response overall that focuses on many of the demands of the question**. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question	**9 – 12 marks**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question	**5 – 8 marks**
1	**A limited response overall with little focus on the demands of the question**. Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development and mainly descriptive application to the context	**1-4 marks**

Marks for this question: AO1 = 3, AO2 = 3 and AO3 = 6

The demands of this question are:

- to analyse the value of effective inventory control
- to Hopps Clothing.

Indicative content:

Effective inventory control helps to avoid:

- too much inventory ties up cash until Jack can sell inventory – with a full cash inflow reliant on selling even less popular sizes
- too little inventory damages reputation with Jack unable to supply customers in a viable time-frame. This could be a particular problem if there is an unexpected surge in demand, perhaps following a celebrity endorsement
- poor inventory control/re-ordering may lead to popular sizes selling out, losing potential sales
- excessive inventory takes up space (Jack has no obvious premises) – he may need to incur extra costs if hiring storage space, whilst his parents are unhappy at the boxes clogging up their house.
- Inventory challenges related to Hopps' potential growth

Credit other valid lines of analysis.

With no plurality in the question only one argument needs to be developed to fully meet the demands of the question

0	3	To what extent is changing to cheaper suppliers a good decision for Sunport PLC? **[16 marks]**

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4, AO4 = 7

Level	The student will typically demonstrate:	Marks
4	**An excellent response overall that is fully focused on the key demands of the question**. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	**13–16**
3	**A good response overall that focuses on many of the demands of the question**. Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**9–12**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**5–8**
1	**A limited response overall with little focus on the demands of the question**. Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**1–4**

The demands of this question are:
- analyses the impact of changing to cheaper suppliers on Sunport PLC
- makes a justified judgement on the impact of changing to cheaper suppliers on Sunport PLC.

Indicative content:
- recent success has been based on building long-term partnerships with suppliers. Product development and delivery reliability may suffer if Sunport PLC changes suppliers
- quality of products may suffer
- in the food division, economies of scale are harder to achieve, changing to cheaper suppliers may be hard
- the company may be accused of failing to meet their responsibility to existing suppliers – generating unfavourable publicity
- cheaper suppliers should enable the company to boost gross margins, assisting in the goal of boosting operating margins
- changing to cheaper suppliers seems part of a coherent strategic change within the business.
- Current operating margin is 9.44%, reducing cost of sales should move this closer to Elaine's 12% target

Evaluation
An effective judgement should flow from the arguments presented. Judgement is likely to come through the extent to which the benefits of finding new, cheaper suppliers might outweigh the drawbacks to Sunport PLC, given its current and future circumstances.

0 3 . 6	Reliability is the most important factor in a business' choice of supplier. To what extent is this true for **all** businesses? **[16 marks]**

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4, AO4 = 7

Level	The student will typically demonstrate:	Marks
4	**An excellent response overall that is fully focused on the key demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well-selected in relation to issues in the question • demonstrates analysis throughout which is well-developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	**13–16**
3	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well-developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole throughout.	**9–12**
2	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and not fully focused on the question as a whole.	**5–8**
1	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.	**1–4**

The demands of the question are:

- to analyse the case for and against the reliability of suppliers being the most important factor
- to judge the extent to which reliability of supply is the most important factor in choice of supplier
- for **all** businesses.

Indicative content:

Choice of supplier is important for many businesses and will take into account many factors – quality; price charged; after sales service; ethical issues as well as reliability.

Reliability is the most important as:
- delays in supply will potentially interrupt production
- it can have a knock-on effect to your customers making your business appear unreliable to your customers
- many businesses wish to keep buffer stock as low as possible to help financially, this will need suppliers to be reliable eg to operate JiT systems.

Reliability not the most important as:
- you could plan to mitigate the impact – run a larger buffer stock if a less reliable supplier has other great attributes
- other factors may be more important:
  - most obviously price charged, the cheapest supplier may allow your business to increase profit margins or reduce final price
  - quality − the best quality – could this make up for lack of reliability.

The extent to which reliability is the most important factor will depend upon:
- the nature of the business
- the type of business/industry
- the nature of the product and the final customer expectations
- does the supplier supply competitors too so effect may be mirrored – ie a monopsony supplier may be equally unreliable for your business and competitors?
- the way the business manages its inventory.

Judgement should be supported with prior arguments.

Allow other relevant arguments.

2 4	A business plans to improve its flexibility through mass customisation. Is it inevitable that improved flexibility will worsen other measures of its operational performance? Justify your view. **[25 marks]**

25 mark evaluative questions: AO1 = 5, AO2 = 4, AO3 = 6 and AO4 = 10

Level	The student will typically demonstrate:	Marks
5	**An excellent response overall that is fully focused on the key demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question • demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question • makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.	**21–25**
4	**A good response overall that focuses on many of the demands of the question.** Provides an answer to the question set that: • demonstrates a depth and range of knowledge and understanding of issues in the question • demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question • makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole.	**16–20**
3	**A reasonable response overall that focuses on some of the demands of the question.** Provides an answer to the question set that: • demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question • demonstrates analysis which is developed, applied to the context and considers some of the issues in the question • makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole.	**11–15**
2	**A limited response overall with little focus on the demands of the question.** Provides an answer to the question set that: • demonstrates a limited range and depth of knowledge and understanding of issues in the question • demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question • makes judgements or proposes solutions which have limited links to	**6–10**

	analysis or limited focus on the question as a whole.	
1	**A weak response overall lacking focus on the demands of the question.** Provides an answer to the question set that: • demonstrates isolated or imprecise knowledge and understanding • demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question • makes judgements or proposes solutions based on assertions.	**1–5**

The demands of the question are on:
- assessing the impact on a business's flexibility of introducing mass customisation
- identifying and explaining other possible measures of operational performance
- evaluating the possible effects of the change to mass customisation on flexibility and on selected measures of operational performance.

Indicative content may include:
- higher sales volume as goods are more likely to meet the needs of customers, possibly leading to economies of scale and lower unit costs
- more brand loyalty amongst customers and a willingness to pay higher prices; thus improving added value
- by not relying on one standardised product customers should regard this as an improvement in quality because the business is meeting their needs more effectively
- more motivated workforce because of more interesting job roles, which can improve efficiency of production
- less scope to benefit from internal economies of scale offered by traditional production methods and therefore higher unit costs
- potential for high wastage costs if goods are tailor made and then rejected by customer
- additional costs of market research required to discover customer wants.
- Quality may be reduced because workers need a greater variety of skills

Possible measures of operational performance include:
- unit costs
- capacity utilisation
- labour productivity
- speed of response
- flexibility
- added value
- dependability
- quality

- **Evaluation may consider:**

Overall judgement will depend on the arguments used and the measures of operational performance chosen. Possible arguments include:
- unit costs are likely to worsen because there is less scope for internal economies of scale BUT personalised products are likely to be lower cost than individually made products
- arguably, capacity utilisation is likely to be lower on a multi-product production line
- labour productivity is likely to fall in terms of output per worker but may well increase in terms of the value of output per worker because of the higher price
- speed of response should worsen because of the customisation (but not in comparison to competitors who tailor-make their products)
- mass customisation offers greater flexibility than traditional production methods

- customisation is likely to enable a business to increase price more than the unit cost increase, so value added should rise
- dependability may improve or worsen, depending on how efficiently the customisation process operates in comparison to the main production line.

Further guidance
The term 'inevitable' is included to encourage and provide a route that allow students to make a judgement. However, L5 can be achieved through a comprehensive judgement based on how improved flexibility can affect (worsen or improve) other measures of operational performance. An answer that evaluates links between flexibility and other measures can reach L5 without a conclusion based on whether it is inevitable (or not).
A L3 response should show a clear connection between flexibility and ONE other measure of operational performance.
A L5 response is likely to show a clear connection between flexibility and TWO other measures of operational performance.

Award a maximum of L3 if the only connection made is to measures of performance that are not operational, such as ROCE%, market share and labour turnover.

For arguments linked to economies of scale only reward as knowledge **if** there is no logical argument relating to higher levels of production/larger scale.

WHAT THE EXAMINERS SAID · comments from AQA's Reports on the Examination

Quoted word for word, in the same order as the questions. Not every question has a comment.

1. Q2 · AS Paper 1 · June 2025 · 1 mark · 3.4.1

< MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Questions 5, 9 and 10 proved to be the most straightforward and, in each case, the correct response was selected by over 80% of the students. This was closely followed by questions 1, 2, 4, 6 and 8 which saw over 70% of the students selecting the correct response.

Source: AQA Report on the Examination, AS Business 7131/1, June 2025.

2. Q2 · A Level Paper 1 · June 2023 · 1 mark · 3.4.1

< MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Question 2 proved to be significantly the most challenging question, mainly because students did not recognise the link between unit costs and added value. Not surprisingly, question 4 also proved to be challenging. This was based on a core topic – break-even – but required students to look at the graph in a different way than normal. Question 6, on economic policy, also presented a challenge, with just over one-third of the cohort answering it correctly.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2023.

3. Q1 · A Level Paper 3 · June 2023 · 12 marks · 3.4.1

< MARK SCHEME

General feedback

This question worked well as an opening question – proving highly accessible to most students to make a start to the paper. The major challenge faced by students was ensuring that both aspects of the question (prioritising environmental objectives PLUS making operational decisions) were addressed within arguments. One well developed argument addressing these aspects was sufficient to gain a mark in the top level of the mark scheme. Some students clearly spent too long on this question, trying to fully develop three or even four reasons, thus storing up timing problems for later in the exam.

Source: AQA Report on the Examination, A Level Business 7132/3, June 2023.

4. Q8 · AS Paper 2 · June 2025 · 20 marks · 3.4.1

< MARK SCHEME

Students are getting better at focusing their arguments on ALL businesses and many are now using this aspect of the question in their judgements well. Not all of the responses seen picked up on the use of ‘future’ in the question and there were few that used this part of the

question as effectively as they could have in their judgements. Many students used the case study well in their arguments and applied their responses well. There was minimal evidence seen in this question of time being an issue.

Source: AQA Report on the Examination, AS Business 7131/2, June 2025.

6. Q9 · AS Paper 1 · June 2018 · 1 mark · 3.4.2

< MARK SCHEME

Most students were able to carry out this calculation, which required an understanding of capacity utilisation and labour productivity.

Source: AQA Report on the Examination, AS Business 7131/1, June 2018.

7. Q10 · AS Paper 1 · June 2019 · 1 mark · 3.4.2

< MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Questions 1, 6 and 10 also proved to be challenging for a significant number of students with the most common distractors proving to be response A for question 1, response C for question 10 and response D for question 6.

The responses to question 10 suggested a weakness in the skill of data interpretation on the part of a significant number of students. Although response C was the most common distractor, many students were attracted to option B.

Source: AQA Report on the Examination, AS Business 7131/1, June 2019.

9. Q5 · AS Paper 1 · June 2025 · 1 mark · 3.4.2 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Questions 5, 9 and 10 proved to be the most straightforward and, in each case, the correct response was selected by over 80% of the students. This was closely followed by questions 1, 2, 4, 6 and 8 which saw over 70% of the students selecting the correct response.

Source: AQA Report on the Examination, AS Business 7131/1, June 2025.

13. Q10 · A Level Paper 1 · June 2025 · 1 mark · 3.4.2 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

On average, students scored one mark more on the multiple-choice questions in 2025 than in 2023 and 2024, with the mean mark increasing from 9 marks to 10 marks (out of 15). This change could be attributed mainly to the fact that there were only two questions which were correctly answered by less than 50% of the entry, compared to six such questions in 2024. Question 10, on 'operational objectives' proved to be the easiest question. Although the calculations required in this question were quite straightforward, it is unusual for this type of question to yield such a high average mark. The other two questions that yielded high average scores were question 1 on data mining and question 11, on employee engagement. Question 8 proved to be significantly the most challenging question, mainly because students did not recognise the link between labour turnover and the management of retrenchment, although all four options attracted significant numbers of students. Not surprisingly, question 6 also proved to be challenging. This was based on a core topic – break-even – but the graph involved a number of different changes which added to the level of challenge involved. However, nearly half of the students answered this question correctly. Overall, the cohort of students appeared to be more comfortable than previous cohorts in the handling of numerical and graphical information.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2025.

15. Q11 · AS Paper 1 · June 2024 · 3 marks · 3.4.2 < MARK SCHEME

This question required students to carry out a calculation and it proved to be accessible for the vast majority of students, based on a familiar concept with a gatekeeper in the form of capacity utilisation. For those with a sound knowledge and understanding of this concept, there was a straightforward route to three marks, with just over four fifths of students achieving full marks. Those who were awarded one mark tended to offer responses that either correctly calculated the total number of seats sold over the weekend (1830) or provided clear demonstrations of valid knowledge. Two marks were generally achieved by the application of the 'own figure rule,' and this serves to reinforce the value of students showing their working. It was encouraging to see that only a very few students simply provided an answer (sometimes, the correct one) without any indication as to how they got there.

Source: AQA Report on the Examination, AS Business 7131/1, June 2024.

16. Q1 · AS Paper 2 · June 2024 · 3 marks · 3.4.2 < MARK SCHEME

This question required students to carry out a calculation of labour productivity. It proved to be a very accessible question for many students, based on a concept that seemed to be considerably more familiar to the majority of students than the later margin of safety question (question 2). For students with a sound knowledge and understanding of labour productivity and percentage increase, there was a straightforward route to 3 marks. Approximately two-thirds of the students achieved full marks.

Source: AQA Report on the Examination, AS Business 7131/2, June 2024.

17. Q14 · AS Paper 1 · June 2019 · 5 marks · 3.4.2 < MARK SCHEME

This question differentiated effectively and was generally well answered with the majority of responses to this question awarded 4 or 5 marks, with most of these students achieving full marks. In this case, those students who fell short tended to offer an answer of 88 units and thus failed to take the final step, thus, one again, highlighting the importance of identifying all of the demands of the question. A number of students were able to calculate the total units of output for 2017 by multiplying 80 by 40 and, in some cases, went on to apply the increase of 15.5%, but then stopped at that point.

The weakest responses demonstrated a fundamental lack of knowledge of the concept of labour productivity, and many of these tended to start by dividing labour productivity by the number of employees to reach an answer of 2 units for output in 2017. Again, some students just offered some valid subject knowledge with no attempt at a calculation, and a number were unable to achieve any marks on this question. As before, marks were awarded through the application of the 'own figure rule'.

Source: AQA Report on the Examination, AS Business 7131/1, June 2019.

18. Q17.1 · AS Paper 1 · June 2023 · 9 marks · 3.4.2 < MARK SCHEME

This again proved to be an accessible question with the majority of students being able to provide reasonable responses, and just under a third of the responses reached the highest level. However, this question did prove to be challenging for some students, with a significant number either not attempting the question or being awarded no marks.

The stimulus material presented a number of hooks offering access to level 3 by building two good arguments linked to the prices that Napara plc might be able to charge its customers. The strongest responses really picked up on the fact that their lines of reasoning needed to focus on prices, and developed clear and convincing links to the likely implications of the operational data for the prices that Napara could charge, and this, inevitably, proved to be the key to reaching level 3. The two most widely used lines of reasoning were rooted in the data on the percentage of cars recalled for faults and the average delivery times, with the former suggesting that customers would expect to pay lower prices counterbalanced by the expectation that customers might be prepared to pay higher prices as a consequence of the latter. The best responses tended to use the market research data highlighting customer desires around reliability and waiting times to support these lines of reasoning. Lines of reasoning rooted in the productivity data tended to be less convincing as students seemed to struggle to decide whether this would imply higher or lower prices and why. The best students did understand the impact of relatively poor productivity on unit costs and that this would result in upward pressure on prices.

The weaker responses tended to lack real focus in that they did not really consider the implications of the data in table 3 on prices. For example, reasonable arguments around reliability and shorter lead times tended to conclude in notions such as the impact on the reputation of the business or on levels of customer satisfaction. There was also a tendency to offer rather generic explanations around what the data suggested in terms of problems and challenges facing the business and such responses often drifted into a discussion as to how Napara might address the problems of low motivation, lack of trust and industrial action. Some students only offered a single line of argument focusing on just one of the three items of data in table 3, thus failing to focus on the 'plural' nature of this question.

In the case of the weakest responses (of which, there were relatively few), students did little more than describe the data and any explanation tended to be very limited and largely generic, often focused on the issues around motivation and employer-employee relations.

Source: AQA Report on the Examination, AS Business 7131/1, June 2023.

19. Q1.3 · A Level Paper 2 · June 2024 · 9 marks · 3.4.2 < MARK SCHEME

This question proved troublesome for some students who made an assumption that lower labour productivity automatically translated into less overall output or meant lower quality goods. Most students were able to understand Appendix B and the trends of this data. Effective answers identified the impact on unit cost or inefficiency and contrasted this to rival performance data in a competitive and price sensitive market. A few students thought market share was about the company's share prices and/or market capitalisation.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2024.

20. Q7 · AS Paper 1 · June 2019 · 1 mark · 3.4.3 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Question 7 proved to be the most challenging, with response B proving to be the most common distractor, and responses A and D both proving popular choices with students. The responses suggested a lack of precise understanding of the concept of capacity reduction and, perhaps, that a significant number of students failed to focus on the crucial significance of the word' not' in the question.

Source: AQA Report on the Examination, AS Business 7131/1, June 2019.

21. Q6 · AS Paper 1 · June 2023 · 1 mark · 3.4.3 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

The majority of students opted for the correct responses to questions 1 and 6, with the most common distractors proving to be responses D and A for question 1 and responses A and B for question 6.

Source: AQA Report on the Examination, AS Business 7131/1, June 2023.

22. Q8 · AS Paper 1 · June 2023 · 1 mark · 3.4.3 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

The ten multiple choice questions enabled students to demonstrate their knowledge and understanding across a range of the AS subject content. Questions 3 and 9 proved to be the most straightforward, followed by questions 4, 8 and 10.

Source: AQA Report on the Examination, AS Business 7131/1, June 2023.

23. Q2 · AS Paper 1 · June 2024 · 1 mark · 3.4.3 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

The majority of students opted for the correct responses to questions 2 and 5, with the most common distractor proving to be response A for question 5, although there was no clear distractor for question 2 (with both responses A and D attracting some support).

Source: AQA Report on the Examination, AS Business 7131/1, June 2024.

25. Q3 · A Level Paper 1 · June 2019 · 1 mark · 3.4.3 < MARK SCHEME

This question tested the distinction between two pairs of business concepts, capital intensive and labour intensive production, and economies of scale and diseconomies of scale. The latter topics caused students more difficulty, although this might have arisen from a misunderstanding of the term 'unit costs'.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2019.

26. Q3 · A Level Paper 1 · November 2020 · 1 mark · 3.4.3 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Q3 – This question also proved to be challenging, with a number of students focusing on output rather than capacity utilisation.

Source: AQA Report on the Examination, A Level Business 7132/1, November 2020.

27. Q5 · A Level Paper 1 · November 2020 · 1 mark · 3.4.3 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Q5 – Students showed an excellent understanding of lean production, with over 80% giving the correct response.

Source: AQA Report on the Examination, A Level Business 7132/1, November 2020.

28. Q15 · AS Paper 1 · June 2024 · 6 marks · 3.4.3 < MARK SCHEME

This question differentiated effectively with a balanced spread of marks resulting, with just under one third of the students achieving a mark in the highest level. The demands of the question required students to deal with three elements in building an effective response. From a knowledge base of technology, students were required to analyse the potential impact of this in terms of improving operational efficiency, in the context of a manufacturing business.

The vast majority of students seemed to have an understanding of technology and its potential impact in generic terms, although some offered unnecessarily lengthy definitions or offered a list of examples, and such responses tended to remain in level 1.

The most effective responses demonstrated knowledge and understanding implicitly, and moved quickly into developing a plausible line of reasoning as to how the use of technology might have a positive impact on operational efficiency rooted in the context of a manufacturing business. Such responses were not overly lengthy but just demonstrated a disciplined and clear focus on the demands of the question. Weaker responses either failed to make a convincing link to operational efficiency or were rooted in a more general consideration of the possible impact of technology (and thus ignored the context). Some drifted into a consideration of the potential drawbacks of using technology. This question provided a very clear demonstration of the benefits of a careful reading of the question and of unpicking the key demands, and of building a response accordingly.

Source: AQA Report on the Examination, AS Business 7131/1, June 2024.

29. Q2.2 · A Level Paper 2 · June 2025 · 6 marks · 3.4.3 < MARK SCHEME

This was a well answered question on the whole. Many students were able to demonstrate correct knowledge of just in time. They could also explain a reason why Seabus would use this system of inventory management; for example, because it had perishable goods, there was a need for high quality or there was a desire for high gross profit margins.

Some students struggled with application to the business. For example, some students did not consider Seabus was a retailer and framed their answers around a manufacturing process.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2025.

30. Q17.1 · AS Paper 1 · June 2022 · 9 marks · 3.4.3 < MARK SCHEME

This proved to be an accessible question with the vast majority of students being able to provide reasonable responses and a significant number moving into the highest level.

Once again, this question offered plenty of evidence on which to build valid and developed arguments, and just under a third of the responses reached the highest level. Most students were able to make something of the likely impact of increased opening hours on costs in general and staff costs in particular, and on the possibilities of reducing the pressure on facilities at the busiest times, particularly in terms of reduced queues. Less frequently deployed lines of argument were rooted in the potential for widening the customer base and attracting more members. The weaker responses tended to be rather generic in tone, and, in the case of the weakest responses (of which, there were relatively few), students did little more than identify some issues and any explanation tended to be very limited and largely descriptive.

The strongest responses developed clear and convincing links to the likely reactions of the shareholders to the potential impacts of the decision to increase the opening hours of the gym, and, in the latter case, there were some striking examples of the excellent use of the context of the scenario provided,

Source: AQA Report on the Examination, AS Business 7131/1, June 2022.

31. Q2.3 · A Level Paper 2 · November 2020 · 9 marks · 3.4.3 < MARK SCHEME

JIT was well understood with most students able to develop the various benefits and drawbacks with clear links to impact on profit provided, but many again were unable to set these in the context of the data and situation provided for Nari .

Source: AQA Report on the Examination, A Level Business 7132/2, November 2020.

32. Q21 · A Level Paper 1 · June 2022 · 9 marks · 3.4.3 < MARK SCHEME

Many students showed a very good understanding of both labour intensive and capital-intensive processes, leading to high quality responses. Weaker responses tended to be assertive rather than using reasoned arguments. Better responses tended to be those answers that recognised suitable context(s) in order to support their reasoning. Many analytical questions, such as this one, require an argument for a particular case. Some students' answers lost relevance by examining reasons why capital-intensive processes were preferable and thus lost valuable time.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2022.

33. Q1.3 · A Level Paper 2 · June 2023 · 9 marks · 3.4.3 < MARK SCHEME

Generally, this question was answered well with many students being able to utilise the HR data to develop a response. The majority of students identified that the employees were the issue and higher-level responses considered that becoming capital intensive would reduce this. A significant number of students were able to use the data to examine the issues but failed to focus on the question of why, restricting marks for AO3 and access to the higher mark band.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2023.

34. Q1 · A Level Paper 3 · June 2024 · 12 marks · 3.4.3 < MARK SCHEME

This question highlighted some real issues in understanding capacity utilisation. Though many responses included a definition of capacity utilisation, few recognised the advantages of operating near to full capacity for a dessert parlour. Instead, many wrote about the benefits of a high total capacity, the speed of the waffle machine or simply having high demand. The best responses tended to be those that explored how Speed-e-Puds could spread fixed costs over more units of output thus lowering cost per unit.

Source: AQA Report on the Examination, A Level Business 7132/3, June 2024.

35. Q6 · AS Paper 2 · June 2017 · 16 marks · 3.4.3 < MARK SCHEME

One of the most common errors with this question was that students lost sight of the connection to stakeholders and instead talked about the benefits to the business of introducing lean production. Another very common, and surprising error, was to confuse stakeholders with shareholders. It is disappointing how many students still do not know what a stakeholder is.

This question is broad and is an example of one which rewards students who pause to think and plan before answering. This allows students to be selective, for example to focus on the most relevant stakeholders in this context and develop a clear overall judgement.

In good responses students developed a range of arguments to offer a balanced answer. These included a judgement that was well supported by the earlier arguments which used the context and theory well.

Source: AQA Report on the Examination, AS Business 7131/2, June 2017.

36. Q16.2 · AS Paper 1 · June 2018 · 16 marks · 3.4.3 < MARK SCHEME

This proved to be a challenging question with a significant number of students appearing to be unable to make effective use of any of the significant amount of quantitative data in the case.

Whereas the majority of students were able to provide reasonable responses to this question, most struggled to move into the highest levels on the marking scheme.

The weakest responses tended to do little more than describe the numerical data in the case with no real attempt to manipulate the data or to carry out any valid calculations. Such responses were also limited by making a series of points that remained largely undeveloped. Reasonable responses tended to carry out some basic calculations such as the new totals for or the increases in total revenue, total variable costs and fixed costs. Some students included figures in their responses with no indication as to the basis on which they had been calculated, which, once again, serves to underline the importance of showing workings.

There were some impressive responses that were built on valid calculations leading to logical and supported judgments. In such cases, students were able to calculate the profit of £780 000 from the present position and the anticipated profit of £540 000 from the new contract, and go on to relate these figures to Mike's target. In general, such responses then offered balance and range by considering the qualitative information which led to a logical and justified overall decision. Once again, it was striking to note the succinct and time efficient nature of many of these responses.

The most impressive responses were built on a range of balanced and well developed arguments that led logically to a well-supported overall judgement with a clear focus on the demands of the question. A striking feature of such responses was the clarity of the candidate's view, as well as the coherent structure of the discussion. This suggests that the better quality answers were planned and had a clear sense of the demands of the question and what they wanted to argue from the start.

It is also worth noting that there were clear indications of the use of pre-determined structures and mechanical approaches to answer this question, and these often appeared to act as something of a constraint that ultimately prevented a response from fully answering the question. For example, there was a tendency for some students to start writing in terms of 'on the one hand' and 'on the other hand', and devote most of their time to arguing for and against the investment in the new production capacity, and then have very little to say in the overall judgement. In such cases, it was far from clear what the students actually thought. The higher tariff, evaluative questions such as this are framed to demand a judgement and students must focus on this essential challenge in the question and not leave the examiner wondering as to what view he or she is taking.

Source: AQA Report on the Examination, AS Business 7131/1, June 2018.

37. Q2.3 · A Level Paper 2 · June 2017 · 16 marks · 3.4.3 < MARK SCHEME

The best answers related back to capacity utilisation throughout. They also recognised that a price cut may be good for businesses in some industries and not others and in some cases students used examples of these businesses or types of business. In very good responses students were able to consider an alternative to reducing the price and explain why this was better for certain businesses often relating to issues regarding brand image; however the focus of these responses remained very much the effectiveness of a price cut.

Better answers often noted the falling trend of global capacity utilisation and the need therefore to reduce capacity but discussed the difficulty in achieving this in the short term for some specific industries. Some students provided some good service sector examples of under-used capacity – hotel rooms, airline and train seats that provided good context that was used in their arguments.

It was clear that some students did not have an understanding of capacity utilisation and instead just focussed on the impact of cutting price without relating it back to capacity utilisation. A few did not tackle the broader issue of all businesses and just focussed on the car industry. Students frequently recognised that any reference to price cutting could bring in the price elasticity of demand but many were imprecise in their explanation of price elastic/inelastic demand. Too many judgements did not address the focus of the question.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2017.

38. Q3.3 · A Level Paper 2 · June 2019 · 16 marks · 3.4.3 < MARK SCHEME

This was another evaluative question where the focus was on all business, not just the business in the case (Galin). Many misinterpreted the question and instead focused on ways Galin could improve labour productivity. The students who did well here were those who remained focused on the question at all times. Effective answers demonstrated a clear focus throughout and offered a balance of what employees would and would not welcome, driven by the 'increase in productivity'. Some students made good use of supporting theories such as Taylor, Maslow and Kotter and Schlesinger. More effective answers had an appreciation of the importance of the nature of work that employees would be undertaking, considered the type of employee and used examples of different businesses to support. The most effective answers drew evaluative links between the type of method used, the culture of the business, the type of employee who would welcome an increase in productivity and the level of employee skill.

Q3.3 · A Level Paper 2 · June 2019 (continued)

The main problem students had was maintaining focus on the question. There were lots of answers discussing methods of motivation and increasing productivity, but students tended to drift into the importance of motivation and lose focus on whether it would be welcomed by employees. Many students struggled to use the concept of 'any' business and generate context for their arguments and instead presented knowledge-based responses on their understanding around labour productivity, motivation and resistance to change.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2019.

39. Q3 · A Level Paper 3 · June 2019 · 16 marks · 3.4.3 < MARK SCHEME

This was the third in the series of three questions that relied on students explaining how an action led to an outcome. This time, the link students were required to make was from the introduction of new operational techniques (in essence - aspects of lean production) to the firm's ability to cope with competitive pressures. As this was an evaluative question, a two-sided response was required, followed by the need to weigh up the arguments put forward to reach a balanced judgement on the extent to which the changes had succeeded. With success hinging on the achievement of the objective (responding to competitive pressures), a clear indicator of the most effective answers was a focus on these competitive pressures. They would then explain how, for example, the introduction of JIT could have led to a reduction in stock-holding costs which would allow a reduction in selling price while protecting margins – thus addressing the lowering prices of foreign rivals.

The broader issue here is that good responses to questions asking about success tend to be most effectively focused where a student has identified how they are defining success, allowing more detailed judgements to be made.

Source: AQA Report on the Examination, A Level Business 7132/3, June 2019.

41. Q3 · A Level Paper 3 · June 2023 · 16 marks · 3.4.3 < MARK SCHEME

General feedback

The vast majority of students found this question accessible, often the case when a question asks students to analyse data provided within the case study. Some had trouble maintaining a focus on operational efficiency. Other causes of weakness included students who re-wrote the data in the table, producing purely descriptive responses, instead of exploring the impact of the data on operational efficiency. The best arguments looked to weave more than one aspect of the data into an argument illustrating potential causality between some of the data in the table and the potential implications of that. Evaluation at higher levels required some notion of balance – weighing up the arguments presented – in this case recognising that while some of the data looks positive, other aspects are not, though these may change if demand and thus output continue to rise beyond just the first year of operation in the new facility.

Source: AQA Report on the Examination, A Level Business 7132/3, June 2023.

42. Q6 · A Level Paper 3 · June 2025 · 24 marks · 3.4.3 < MARK SCHEME

General feedback

The final question on this paper proved demanding. This may be due to fatigue as students reached the end of the paper, poor time management or the challenge of the question itself. Many students were able to find reasons why managing capacity can be harder for large and/or multinational businesses; fewer could explain why the challenge may be harder, or at least equally difficult, for smaller firms. Too often inaccurate assertions, particularly that small businesses are likely to be start-ups, undermined arguments put forward by students. Evaluation also proved tricky, though often as a result of weak arguments. It was good to see students trying to illustrate their answers with examples of businesses or scenarios.

Source: AQA Report on the Examination, A Level Business 7132/3, June 2025.

43. Q24 · A Level Paper 1 · June 2024 · 25 marks · 3.4.3 < MARK SCHEME

Nearly all students showed an understanding of lean production, although there was some occasional confusion with other concepts, notably capital-intensive production. The vast majority of students understood the concept of reducing waste and were able to present sound arguments to show contexts where this might (or might not) lead to lower unit costs. Stronger answers tended to be those that incorporated JIT and kaizen into their answers and/or recognised where lower unit costs might not result.

Overall, the mean mark was three marks lower than in 2023. Two of these three marks can be attributed to the Section D essays. It is possible that students tended to be running out of time this year, in comparison to 2023.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2024.

44. Q10 · AS Paper 1 · June 2017 · 1 mark · 3.4.4 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

The ten multiple choice questions enabled students to demonstrate their knowledge and understanding across a range of the AS subject content. Questions 5 & 10 proved to be the most challenging. The responses to question 5 suggested a lack of precise understanding of short term finance on the part of a significant number of students with response B proving to be the most common distractor, and responses C and D both attracting a considerable number of students.

Question 10 indicated that a considerable number of students did not look beyond the superficially attractive option of response A. Students need to read the different options of the multiple choice questions carefully.

Source: AQA Report on the Examination, AS Business 7131/1, June 2017.

47. Q11 · AS Paper 1 · June 2025 · 3 marks · 3.4.4 < MARK SCHEME

This question saw a reasonably balanced spread of marks across the levels and required students to explain one advantage of using a system of quality assurance to a business manufacturing high volumes of cakes for a leading supermarket.

The key to success was to establish a clear link between an advantage of quality assurance and the context. The gatekeeper here is quality assurance rather than ‘quality’ in general and this proved to be a notable barrier for a significant number of students. The less successful responses tended to make general observations around the notion that quality is an important factor for a business, and just under one third of students were unable to score any marks.

The majority of students were able to access level 1 by demonstrating some knowledge and understanding but a significant number of these were unable to move beyond this level. The most successful responses were able to demonstrate clear knowledge and understanding of quality assurance (either explicitly through a definition or implicitly in the course of their explanation) and explain how this method of managing quality might be advantageous for the business in the scenario. The most effective responses were impressively concise with thoughtful use of the context. Using the context was the key to accessing the higher levels and those students who established a logical link to either element of the context (‘high volumes’ or ‘leading supermarket’) were able to secure all three marks for this question. Responses that

remained in level 2 tended to do so either because they were generic or because they neglected to make a clear and / or convincing link to the context.

Source: AQA Report on the Examination, AS Business 7131/1, June 2025.

49. Q3.2 · A Level Paper 2 · June 2025 · 9 marks · 3.4.4 < MARK SCHEME

This was generally a very well answered question. The majority of students were able to analyse effectively how the two quality measures related to an airline. Very good answers were able to apply their response directly to Dodo, its low-cost model and/or the competitive marketplace.

A few students did not pick up on the quality measures in the case and gave very generic responses about quality.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2025.

50. Q7 · AS Paper 2 · June 2022 · 16 marks · 3.4.4 < MARK SCHEME

Good responses to this question identified and demonstrated knowledge and understanding of what quality assurance is, and then went on to evaluate the impact of quality assurance on the competitiveness of VeganLife Ltd. Weaker responses did not discuss what quality assurance was, which then meant these responses struggled to demonstrate good analysis and evaluation in their arguments. This question specifically highlighted the importance of students correctly identifying the demands of a question. Many students discussed the benefits and drawbacks to introducing a quality assurance system, and also discussed information from the case. However, many of these students missed the impact on ‘competitiveness’ for VeganLife Ltd and so failed to answer the question fully. There were few students who confused quality assurance with quality control.

Source: AQA Report on the Examination, AS Business 7131/2, June 2022.

51. Q24 · A Level Paper 1 · June 2023 · 25 marks · 3.4.4 < MARK SCHEME

This was a very popular choice and more students were able to reach Level 3 on this essay than the other options. Students’ arguments often focused on the tension between higher quality and higher costs. There were also relevant discussions of how profits could be achieved through lower costs, greater focus on promotion or other elements of the marketing mix, or through a greater focus on corporate social responsibility. There was some excellent use of context, often based on Bowman’s Clock or Porter’s Generic strategies, but also incorporating Elkington’s triple bottom line. In all of the essay titles, there were excellent examples of arguments being supported by real-life examples. This question tended to be the essay in which real-life examples provided the greatest enhancement to student responses.

Q24 · A Level Paper 1 · June 2023 (continued)

Source: AQA Report on the Examination, A Level Business 7132/1, June 2023.

52. Q24 · A Level Paper 1 · June 2025 · 25 marks · 3.4.4 < MARK SCHEME

This question had a narrower focus than the other essays and enabled students to compare two distinct concepts. Unfortunately, a significant minority of students confused the two concepts and so their points in favour of quality control (or quality assurance) were misplaced. These answers often showed a sound understanding of quality procedures, and were rewarded for this understanding, but this error did impact on the quality of their answers. Better answers often showed excellent application to real-life firms and effective use of context. Overall performance on this question was comparable to the other questions and there were notably more level 5 answers on this question than questions 22 and 23. Weaker responses tended to just show pros and cons, but most students produced answers that were very clear in their discussion of the impact of quality control and quality assurance on profits, in different contexts.

Overall, the Section C essays showed more depth. Although there were no clear signs that students were running out of time, it is possible that time pressures led to slightly lower marks on the Section D answers.

There was a more even selection of essay titles than in 2024. Question 21 was the most popular choice, although over 40% of the cohort selected question 22 as their Section C essay. In Section D, Question 24 was the most popular choice with 54% of the students answering it.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2025.

55. Q7 · AS Paper 1 · June 2022 · 1 mark · 3.4.5 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

The ten multiple choice questions enabled students to demonstrate their knowledge and understanding across a range of the AS subject content. Questions 5 and 6 proved to be the most straightforward, closely followed by questions 1 and 7.

Source: AQA Report on the Examination, AS Business 7131/1, June 2022.

56. Q8 · AS Paper 1 · June 2022 · 1 mark · 3.4.5 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Question 8 proved to be the most challenging, with the correct response of C being only the third most popular choice, and response B proving to be the most common distractor (attracting just under half of the students. Response D also attracted a considerable number of students. Many of the students really struggled to interpret the diagram and it would appear that those who went for option D failed to take account of the lead time of 1 day, and those who selected B were, perhaps, confused by the change of usage rate.

Source: AQA Report on the Examination, AS Business 7131/1, June 2022.

57. Q4 · AS Paper 1 · June 2023 · 1 mark · 3.4.5 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

The ten multiple choice questions enabled students to demonstrate their knowledge and understanding across a range of the AS subject content. Questions 3 and 9 proved to be the most straightforward, followed by questions 4, 8 and 10.

Source: AQA Report on the Examination, AS Business 7131/1, June 2023.

58. Q6 · AS Paper 1 · June 2025 · 1 mark · 3.4.5 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Questions 5, 9 and 10 proved to be the most straightforward and, in each case, the correct response was selected by over 80% of the students. This was closely followed by questions 1, 2, 4, 6 and 8 which saw over 70% of the students selecting the correct response.

Source: AQA Report on the Examination, AS Business 7131/1, June 2025.

59. Q7 · AS Paper 1 · June 2025 · 1 mark · 3.4.5 < MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Q7 · AS Paper 1 · June 2025 (continued)

Questions 3 and 7 proved to be more challenging. That said, the correct response of B for question 3 was selected by about 65% of the students with no obvious distractor (in fact, all three of the alternatives attracted some measure of support). In the case of question 7, which appeared to be the most challenging of the multiple-choice questions, the correct response of B was, nevertheless, selected by nearly 60% of the students, with response D proving to be the most common distractor (attracting about 20% of the students) and response A also attracting some support.

Source: AQA Report on the Examination, AS Business 7131/1, June 2025.

60. Q15 · A Level Paper 1 · June 2018 · 1 mark · 3.4.5 < MARK SCHEME

This question tested inventory control, through a calculation rather than a diagram. Careful reading of the question was required in order to make the correct calculation. Over half of students gave a correct answer. The most popular distractor (Option C) was given by nearly one third of students; an answer that showed an understanding of the calculation but a need to read the question carefully.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2018.

61. Q11 · A Level Paper 1 · June 2019 · 1 mark · 3.4.5 < MARK SCHEME

On the whole, students' understanding of inventory control was good although some uncertainty on the concept of lead time was revealed by the popularity of the distractors.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2019.

64. Q3.1 · A Level Paper 2 · June 2022 · 2 marks · 3.4.5 < MARK SCHEME

This was generally well-answered but it was clear students either understood inventory control charts or they didn't across these three questions. Key to 3.1 was the understanding of the term 'lead time'. Very few students offered a written explanation, which would have helped students who struggled with the calculation. Often, as students were reading from a chart, workings were not shown, so examiners were unable to award any credit for process. This was a shame, as many common errors potentially came from a simple misreading of the information. Another common error was failing to express the answer as days and just giving a numerical response.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2022.

65. Q3.2 · A Level Paper 2 · June 2022 · 2 marks · 3.4.5 < MARK SCHEME

Similar to 3.1, a common mistake was missing off units in the final answer. This proved the most tricky of the three calculations, with many students using the figure for re-order level rather than buffer stock level.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2022.

66. Q3.3 · A Level Paper 2 · June 2022 · 2 marks · 3.4.5 < MARK SCHEME

There were various pathways to arriving at the correct answer for this calculation and the majority of students answered well. Where students struggled, it was clear that there was a general lack of understanding of how to read the chart provided. Again, a common error was failure to denote the final answer as units/units per day.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2022.

67. Q14 · AS Paper 1 · June 2018 · 4 marks · 3.4.5 < MARK SCHEME

This proved to be a very accessible question with just over half of the responses achieving full marks. Most students were able to relate to the context and the majority of the responses looked at factors such as demand, seasonality, perishability and storage capacity. The Level 2 responses tended either to consider just one factor (often focusing exclusively on demand) or identified factors with no supporting explanation. Some of the weaker responses failed to recognise the context and linked their explanation to a manufacturing business. Again, the most effective responses were focused, succinct and confined to the space provided in the answer booklet (generally without using the extra space).

Source: AQA Report on the Examination, AS Business 7131/1, June 2018.

68. Q16 · A Level Paper 1 · June 2023 · 4 marks · 3.4.5 < MARK SCHEME

Q16 · A Level Paper 1 · June 2023 (continued)

This was the easiest question on the paper. Almost half of the students earned all 4 marks. The vast majority were able to correctly show the impact of the reorder on the graph, but the subsequent downward slope of the inventory level after day 4 was often plotted inaccurately.

Q17: Marks were spread more evenly on this question. The current ratio formula was known by most students, but relatively few were able to correctly calculate both current assets and current liabilities and thus the correct ratio. A significant number of students ignored the changes and just used the original data to calculate the ratio. These responses suggest uncertainty in their understanding of the classification of current assets and current liabilities.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2023.

69. Q14 · AS Paper 1 · June 2017 · 6 marks · 3.4.5 < MARK SCHEME

This proved to be a challenging question which elicited a range of marks with a significant number of students appearing to struggle to address the concept of operational decisions convincingly. The vast majority of responses offered some explanation of seasonal patterns of demand (typically through the medium of examples such as Christmas trees and ice cream sales) and these were often impressive, but a significant number went on to explore the link between this and business decisions in areas such as finance and marketing. Developing a link to operational decisions proved to be more elusive. A number of responses talked about 'just in time' but they tended to be descriptive and struggled to set it in the context of seasonal patterns of demand.

The level 3 responses had a clear focus on the impact of seasonal demand on operational decisions and developed explanations that related to issues such as the need to manage capacity utilisation or the impact on controlling the level of inventory.

Source: AQA Report on the Examination, AS Business 7131/1, June 2017.

70. Q2.1 · A Level Paper 2 · June 2017 · 6 marks · 3.4.5 < MARK SCHEME

This question proved to very accessible to the majority of students. To get full marks there had to be focus on customised cars, higher revenue/lower costs and dividends and/or higher share price/capital gains to shareholders. The best responses effectively made the link between mass customisation, an increase in profits and an increase of share price or dividend payments. Very few did not apply context and very few did not move to analyse the link to shareholders. There was some good understanding of shares and dividends shown.

Some students failed to make the link between increased profits and a direct benefit to shareholders. The biggest weakness was the chain of development from sales and or lower costs to profits, which was often missed; instead an assertion was made that higher profits would occur.

It would appear that due to its accessibility some students spent far too much time on this and tried to develop an answer well beyond the requirements of a 6-mark question.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2017.

71. Q3 · AS Paper 2 · June 2017 · 9 marks · 3.4.5 < MARK SCHEME

There were many very good responses to this question. Most were able to identify operational objectives and make a connection between a reduced number of suppliers and the former.

Weaker answers lacked an 'operations' focus and drifted into finance and marketing issues. There were a number of opportunities to relate answers to the case – such as past problems with reliability of suppliers – but these were not utilised fully by all students.

Some students wasted time discussing the drawbacks of reducing the number of suppliers, which was not relevant to the question

Source: AQA Report on the Examination, AS Business 7131/2, June 2017.

72. Q4 · AS Paper 2 · June 2018 · 9 marks · 3.4.5 < MARK SCHEME

The case material had information about the structure of the workforce and about the variations taking place in demand within the day and across seasons. Good responses used this information well as the context; explaining how its flexible workforce helped the business to meet demand and linked this through to a financial benefit such as reducing costs. Weaker responses saw flexible workforce as multi-skilling – which is not then in context.

Source: AQA Report on the Examination, AS Business 7131/2, June 2018.

73. Q4 · AS Paper 2 · June 2019 · 9 marks · 3.4.5 < MARK SCHEME

It was pleasing to see a high proportion of good responses to this question on outsourcing – a topic that in some cases has been poorly understood in the past. Many used the case well and focused on the distribution function as directed in the question. However, there were common errors of analysing the reasons for using outsourcing in general or of drifting to discuss production. These were clear examples of not focusing clearly on the demands of the question. Overall, however, this question was answered well.

Source: AQA Report on the Examination, AS Business 7131/2, June 2019.

75. Q16.1 · AS Paper 1 · June 2023 · 9 marks · 3.4.5 < MARK SCHEME

This proved to be an accessible question with the majority of students being able to provide reasonable responses and a significant number moving into the highest level.

This question offered plenty of evidence on which to build valid and developed arguments, and just under a third of the responses reached the highest level. Most students were able to make something of the likely impact of increased levels of inventory on storage costs and on the possibilities of reducing the complaints from customers around the issue of a lack of stock in the stores. Interestingly, the less frequently deployed lines of argument were rooted in the potential for negotiating the more significant discounts that suppliers offer for much larger orders. Generally speaking, the most impressive responses made effective use of this element of the scenario and

developed some very sound lines of reasoning through the concepts of bulk buying and economies of scale. The strongest responses developed clear and convincing links to the likely impact on profitability and this, inevitably, proved to be the key to reaching level 3. In addition, the strongest responses provided some striking examples of the excellent use of the context from the scenario provided.

The weaker responses tended to lack real focus in that they did not really consider the impact of increasing inventory levels on profitability. For example, reasonable arguments around the possibilities of reducing customer complaints about the lack of stock in the stores tended to conclude in notions such as a reduction in the number of poor online reviews and greater customer satisfaction and loyalty. In the case of the weakest responses (of which, there were relatively few), students did little more than identify some issues and recycle the material from the case, and any explanation tended to be very limited and largely descriptive.

Source: AQA Report on the Examination, AS Business 7131/1, June 2023.

76. Q4 · AS Paper 2 · June 2023 · 9 marks · 3.4.5 < MARK SCHEME

This was a very well answered question. Students generally demonstrated responses that used the case material effectively. There was good evidence of AO2 and AO3. In many cases, students produced arguments with a reason for and a reason against why BB should, or should not use outsourcing (although the question did not specifically require a balance or more than one impact).

Source: AQA Report on the Examination, AS Business 7131/2, June 2023.

77. Q5 · AS Paper 2 · June 2024 · 9 marks · 3.4.5 < MARK SCHEME

This proved to be a very accessible question with the majority of students being able to provide good responses, moving into the highest level.

This case study offered plenty of evidence on which to build valid and develop arguments, more than half of the responses reached the highest level. Most students were able to confidently analyse relevant factors that the business should consider when choosing the new supplier. The most impressive responses made effective use of the context and developed sound lines of reasoning throughout their arguments. The strongest responses developed clear and convincing links to the most important factors the business should consider, and why.

The weaker responses lacked real focus on the context and explained general factors that any business may consider when making the decision.

Source: AQA Report on the Examination, AS Business 7131/2, June 2024.

79. Q2 · A Level Paper 3 · June 2018 · 12 marks · 3.4.5 < MARK SCHEME

This was another question which proved accessible to most students. The vast majority were able to show some understanding of inventory control. The best responses, again, used context well to choose which benefits of effective inventory control were most relevant to the context provided, such as keeping stockholding low to ensure Jack's parents' house never became overcrowded, or tying little cash up in inventory when's Jack's finances were already stretched. Weaker responses either ignored context, or spent time explaining how to improve inventory control rather than assessing the value of it to Jack's business.

Source: AQA Report on the Examination, A Level Business 7132/3, June 2018.

80. Q3 · A Level Paper 3 · November 2020 · 16 marks · 3.4.5 < MARK SCHEME

This question proved to be accessible to all, but allowed better prepared students to gain far higher marks through effective use of the context when developing their arguments. Weaker responses frequently offered only generic analysis of the benefits and drawbacks of choosing cheaper suppliers. On the other hand, students who recognised the relationship that Sunport had developed with its suppliers and used this to build an effective contextualised argument were able to score very well.

Source: AQA Report on the Examination, A Level Business 7132/3, November 2020.

81. Q3.6 · A Level Paper 2 · June 2022 · 16 marks · 3.4.5 < MARK SCHEME

Some very well-developed and detailed responses by a significant number of students, even when they had not scored so well on the other extended questions. Better answers related different circumstances where reliability might be the most important factor in choosing a supplier (eg JIT manufacturers) as well as when other factors might be most important (eg price for businesses seeking cost leadership or quality for luxury end producers), with many students able to use exemplar businesses to support. This provided good pathways for many well-balanced and judgemental answers.

Many answers were lengthy, with students often raising a wide range of points, but providing little depth to any of them and often lacked evidence of planning. Students could in their responses offer a range of factors, all of which seemed important and, therefore, some found it difficult to provide a final evaluation.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2022.

82. Q24 · A Level Paper 1 · June 2019 · 25 marks · 3.4.5 < MARK SCHEME

Typically, students who answered this question showed understanding of mass customisation but often did not link it to operational performance. There were some excellent observations on real-life examples of mass customisation and its impact on those businesses, but the impact was not selective. More effective responses showed a clear understanding of measures of operational performance, most notably unit costs, speed of response, levels of wastage and quality. However, many students chose non-operational measures such as profit and brand loyalty which did not address the question. The lack of understanding of operational measures was indicated by answers that focused on profit (rather than value added) and brand loyalty (rather than quality). Where responses did tend to focus on impact on a single functional area, it was sometimes finance or HR, rather than operations.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2019.