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AQA A LEVEL BUSINESS (7132): QUESTIONS BY TOPIC

Decision making to improve financial performance (3.5)

A Level Business (7132) · Section 3.5

81 questions · 424 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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QUESTIONS · 81 questions · 424 marks · 4 sub-topics

SUB-TOPIC 3.5.1 · 10 questions · 43 marks · lowest tariff first

SETTING FINANCIAL OBJECTIVES

2

Section A

Answer **all** questions in this section.Do not write
outside the
boxOnly **one** answer per question is allowed.

For each answer 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

According to Herzberg's 'two factor' theory of motivation, which **one** of the following is a hygiene factor?

A Greater responsibility

☐

B Higher pay

☐

C More interesting tasks

☐

D Opportunities for promotion

☐

[1 mark]

0 2

The data below is taken from the accounts of Abacus plc for 2018 – 2019.

Revenue	£15 million
Cost of sales	£7 million
Other expenses	£9 million
Taxation	£2 million

The gross profit for Abacus plc in £ (millions) is

A 4

☐

B 6

☐

C 8

☐

D 13

☐

[1 mark]



0 2

IB/M/Jun19/7131/1



6

0 8

Xantus produces luxury cars.

Which of the following is an external factor that would increase demand for Xantus' cars?

[1 mark]**A** An improvement in the efficiency of production.☐**B** A marketing campaign that raises awareness of the brand.☐**C** A reduction in interest rates.☐**D** An increase in competition in the market.☐**0 9**

The table below shows financial information for a business.

	£000s
Total revenue	529
Cost of sales	192
Corporation tax	7
Finance costs	18
Operating expenses (overheads)	285

What is the business' profit for the year?

[1 mark]**A** £27 000☐**B** £34 000☐**C** £52 000☐**D** £237 000☐

0 6

IB/G/Jun25/7131/1



3

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.

☐

Turn over ►



0 3

IB/G/Jun20/7132/1



8

1 4

Statement 1: 'An emergent strategy only occurs in response to external change.'**Statement 2:** 'Strategic drift occurs whenever a business changes a planned strategy.'**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 5

A business's decision to increase its level of capital expenditure is most likely to:
[1 mark]**A** achieve long-term growth.☐**B** achieve short-term profits.☐**C** avoid cash flow problems.☐**D** reduce gearing levels.☐Do not write
outside the
box

15



0 8

IB/G/Jun22/7132/1



7

Do not write
outside the
box

0 9

Statement 1: 'An increase in rent paid by a business will have no effect on its gross profit.'

Statement 2: 'An increase in tax on a business's profit will have no effect on its profit for the year.'

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 0

Which of the following statements is **false**?

[1 mark]

A Profit is a financial target for all businesses.

☐

B Profit is a measure of performance in Elkington's triple bottom line.

☐

C Profit is a reward for risk-taking.

☐

D Profit is a source of finance.

☐

1 1

Statement 1: 'If a limited company stops trading, the shareholders will be expected to sell personal assets to pay the company's debts.'

Statement 2: 'If a limited company stops trading, the business will always pay its payables in full.'

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.

☐

Turn over ►



0 7

IB/G/Jun23/7132/1



5

0 7

The data below applies to Bromley Apples Ltd for 2023–2024.

	£m
Sales revenue	20
Cost of sales	6
Operating expenses	4
Taxation	7

What is Bromley Apples Ltd's gross profit for 2023–2024?

[1 mark]

- A £3m ☐
- B £10m ☐
- C £14m ☐
- D £16m ☐

0 8

Statement 1: 'Retrenchment is less likely to be faced with organised resistance if the business has a low level of trade union membership.'

Statement 2: 'Retrenchment is likely to be easier to manage if a business has a high rate of labour turnover.'

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

Turn over ►



0 5

IB/G/Jun25/7132/1



Case study: VeganLife Ltd (AS Paper 2, June 2022 insert)

The full case study for Q1 (3 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. 1
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. 5

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. 10

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.
- 15

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 20
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. 25

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 30
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. 35
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 40
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 45
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 50
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 10).

< CASE STUDY

2

Answer **all** questions.Read the **source** in the **Insert**.Do not write
outside the
box**0 1**Using the data in **Figure 1**, calculate VeganLife Ltd's gross profit for 2020.**[3 marks]**

Answer _____

Workings _____

3**0 2**

VeganLife Ltd is considering launching a new range of products for men.

Using the information provided in **Figure 2**, calculate the break-even output for the proposed new shower gel.**[3 marks]**

Extra space _____

3

IB/G/Jun22/7131/2



Case study: Parkside Theatre (AS Paper 2, November 2020 insert)

The full case study for Q4 (9 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. 1

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. 5

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%. 10

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. 15

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. 20

'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. 25

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. 30



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. 35

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. 40

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. 45

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 13).

< CASE STUDY

4

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0	4
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Parkside Theatre faces fluctuating demand for its cinema.

Analyse why this might make it difficult for Lorna to meet her cash flow objective.

[9 marks]

[illegible]

Extra space _____

9



1	9
---	---

Analyse why non-profit organisations set financial objectives.

[9 marks]

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outside the
box

Extra space

c

Turn over ►



Case study: VeganLife Ltd (AS Paper 2, June 2022 insert)

The full case study for Q6 (16 marks), which follows on the next pages. Read it before answering.

VeganLife Ltd

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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



< CASE STUDY

7

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outside the
box*

Extra space

16

Turn over ►



SUB-TOPIC 3.5.2 · 48 questions · 168 marks · lowest tariff first

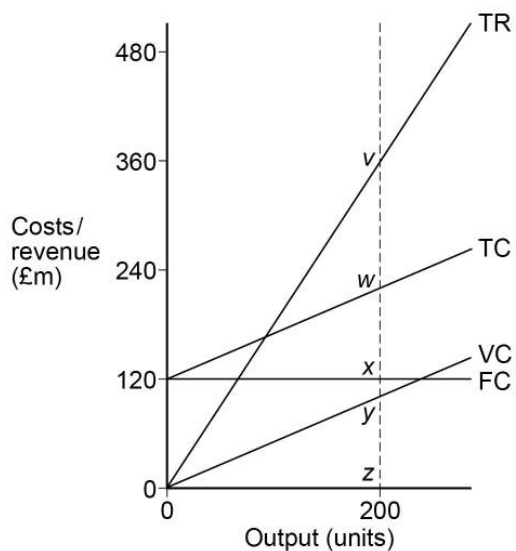
ANALYSING FINANCIAL PERFORMANCE

3

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outside the
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0 2

The break-even chart below shows details of costs and revenue for a business.



At 200 units of output, profit is shown by the distance:

- A vw
B vx
C vy
D vz

☐☐☐☐

[1 mark]

Turn over for the next question



0 3

Turn over ►

IB/G/Jun17/7131/1

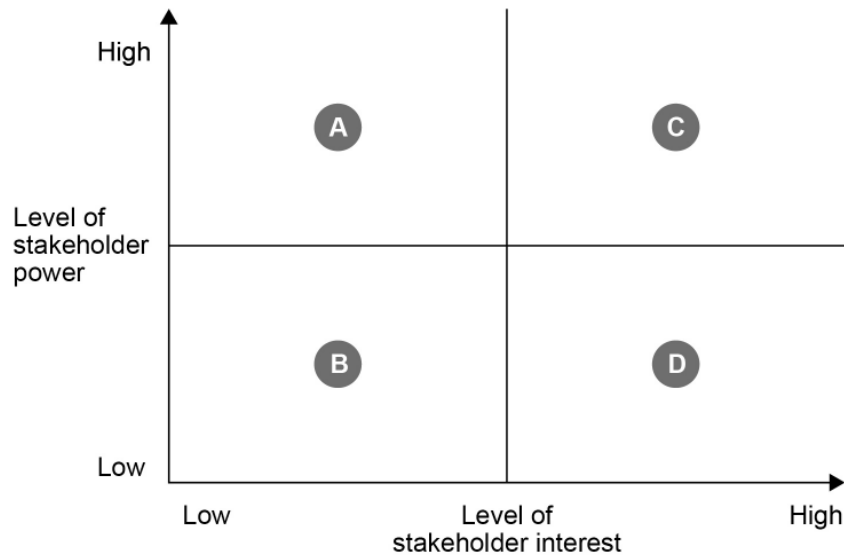


4

Do not write
outside the
box

0 3

Use the stakeholder map below to choose the stakeholder group that is the least likely to influence management decision making.



A A

☐

B B

☐

C C

☐

D D

☐

[1 mark]

0 4

A 10% increase in the price of a product causes a 20% fall in the quantity demanded. This relationship between the price and the quantity demanded of the product shows:

A Negative correlation and price elastic demand

☐

B Negative correlation and price inelastic demand

☐

C Positive correlation and price elastic demand

☐

D Positive correlation and price inelastic demand

☐

[1 mark]



0 4

IB/G/Jun17/7131/1



6

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]



0 6

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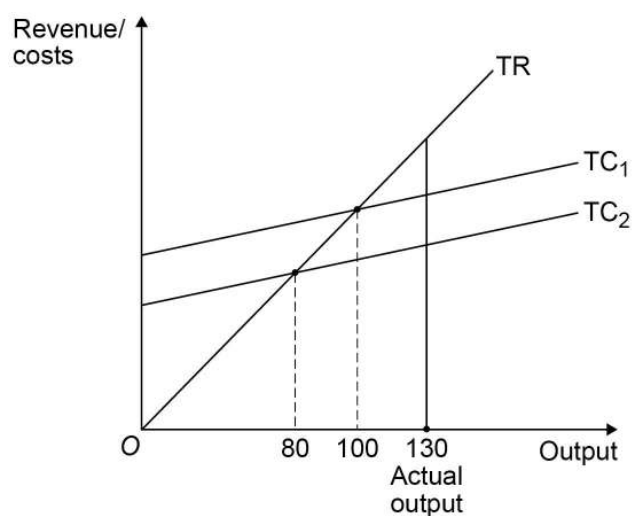


3

0 2

The break-even chart below shows the change in break-even output arising from a change in total costs from TC_1 to TC_2 .

Do not write
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box



In the diagram, the margin of safety has

- A** fallen by 30 units as a result of a fall in fixed costs.
- B** fallen by 20 units as a result of a fall in variable costs.
- C** risen by 20 units as a result of a fall in fixed costs.
- D** risen by 30 units as a result of a fall in variable costs.

☐
☐
☐
☐

[1 mark]

Turn over for the next question



0 3

Turn over ►

IB/M/Jun18/7131/1



7

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



0 7

Turn over ►

IB/M/Jun18/7131/1



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3

0 3

An organised association of workers, formed to protect and further their rights and interests, is known as a

[1 mark]

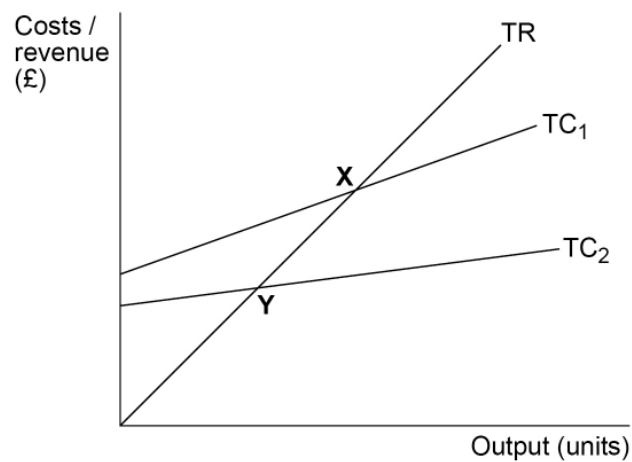
- A Human resources department
- B Kaizen group
- C Trade union
- D Works council

☐
☐
☐
☐

0 4

Figure 1 shows a situation in which there is a change in the break-even point of a product from point **X** to point **Y**.

Figure 1



The change in break-even point from **X** to **Y** has been caused by

[1 mark]

- A a fall in fixed costs and a fall in variable costs per unit.
- B a fall in fixed costs only.
- C a fall in the selling price and fall in fixed costs.
- D a fall in variable costs per unit only.

☐
☐
☐
☐

Turn over ►



0 3

IB/G/Jun20/7131/1



6

09

A manager uses decision trees to choose the best financial outcome from four different options. Results from these options are shown below.

Do not write
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box

Option	Result 1	Result 2
A	Expected value = +£2 million	Pay-off of best outcome = +£18 million
B	Net gain = +£3 million	Pay-off of best outcome = +£12 million
C	Net gain = +£2 million	Expected value = +£4 million
D	Net gain = +£1 million	Expected value = +£7 million

Which **one** of these options is most likely to be chosen by the manager?

[1 mark]

A Option A

☐

B Option B

☐

C Option C

☐

D Option D

☐

10

Receivables are the value of

[1 mark]

A a business's sales revenue.

☐

B inventory held by a business.

☐

C money owed to a business by its customers.

☐

D money owed to suppliers by a business.

☐

10



06

IB/G/Jun20/7131/1



2

Section A

Answer **all** questions in this section.Do not write
outside the
boxOnly **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

A bank overdraft is:

[1 mark]

A an external source of long-term finance.

☐

B an external source of short-term finance.

☐

C an internal source of long-term finance.

☐

D an internal source of short-term finance.

☐

0 2

Statement 1: 'Total contribution = (selling price per unit – variable costs per unit) × quantity'.**Statement 2:** 'Total revenue = Total contribution + 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.

☐

0 2

IB/G/Jun22/7131/1



3

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.

☐

Turn over ►



0 3

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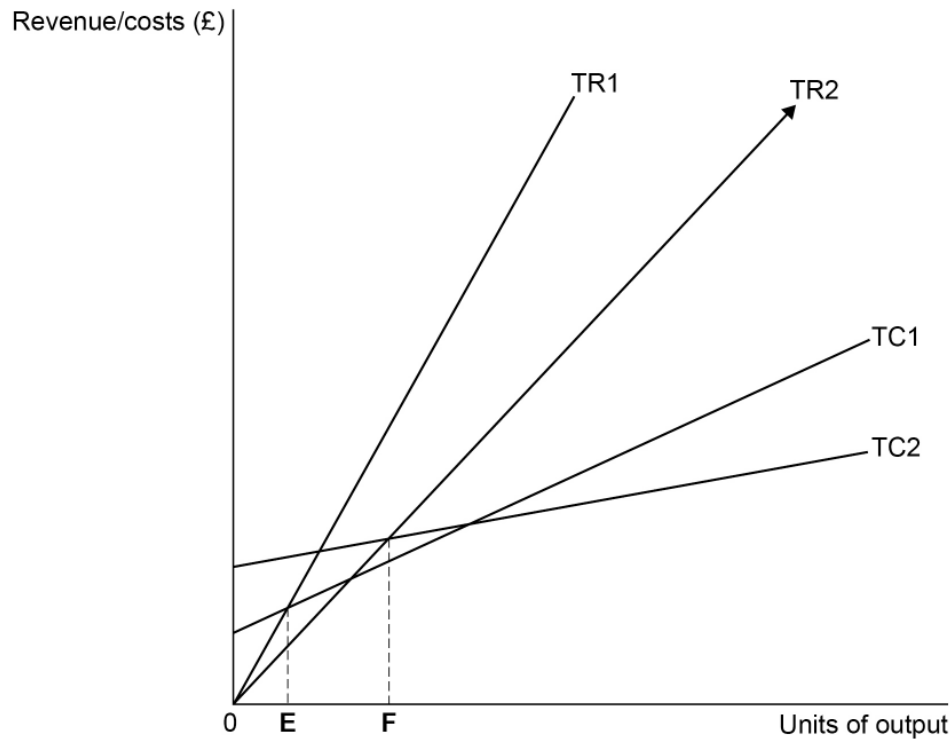
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07

Figure 1 below shows a break-even chart.

Do not write
outside the
box

Figure 1



Which of the following changes would lead to a change of break-even output from **E** to **F**?
[1 mark]

- A** An increase in price and an increase in fixed costs.
- B** An increase in price, an increase in fixed costs and a decrease in variable costs per unit.
- C** A decrease in price and a decrease in variable costs per unit.
- D** A decrease in price, an increase in fixed costs and a decrease in variable costs per unit.

☐☐☐☐

Turn over for the next question

Turn over ►



0 5

IB/G/Jun23/7131/1



4

0 5

Think about Maslow's hierarchy of needs. Which **one** of the following statements does Maslow say is true?

[1 mark]

- A** Security/safety needs must be satisfied before physiological needs can be used to motivate employees.
- B** Self-actualisation needs must be satisfied before ego/esteem needs can be used to motivate employees.
- C** Social/belonging needs must be satisfied before ego/esteem needs can be used to motivate employees.
- D** Social/belonging needs must be satisfied before security/safety needs can be used to motivate employees.

☐☐☐☐**0 6**

Statement 1: 'Market mapping is often used to calculate the market share of a business.'

Statement 2: 'Market mapping shows the geographical location of a business on a map.'

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 7**

A business has an opening balance of £5000 on 1 July.

In the month of July, there is a cash outflow of £14 000. The net cash flow for July is £22 000.

The business' closing balance on 31 July is:

[1 mark]

A -£9000

☐

B £8000

☐

C £13 000

☐

D £27 000

☐

0 4

IB/G/Jun24/7131/1



4

0 5

Which **one** of these changes would lead to an increase in the level of output needed to break-even?

A decrease in

A fixed costs.

☐

B margin of safety.

☐

C unit selling price.

☐

D variable costs per unit.

☐

[1 mark]

0 6

Lower UK interest rates are likely to lead to an increase in the volume of UK exports because they probably lead to

A a rise in costs of UK businesses and a rise in the exchange rate of the pound.

☐

B a rise in costs of UK businesses and a fall in the exchange rate of the pound.

☐

C a fall in costs of UK businesses and a rise in the exchange rate of the pound.

☐

D a fall in costs of UK businesses and a fall in the exchange rate of the pound.

☐

[1 mark]

0 7

A business has more current liabilities than current assets and shareholders provide 90% of its capital employed.

This business has

A a high current ratio and high gearing.

☐

B a high current ratio and low gearing.

☐

C a low current ratio and high gearing.

☐

D a low current ratio and low gearing.

☐

[1 mark]

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outside the
box



0 4

IB/G/Jun18/7132/1



5

0 8

The table below shows an extract from a business's annual budget.

Do not write
outside the
box**Budget information for Company X for year ending 31 March 2018**

	Budgeted (£m)	Actual (£m)
Income	125	114
Expenditure	98	85
Profit	27	29

Based on these data, which of the following statements is **true**?

- A** Income variance was adverse and profit variance was favourable. ☐
- B** Income variance was favourable and profit variance was adverse. ☐
- C** Expenditure variance was adverse and profit variance was adverse. ☐
- D** Expenditure variance was adverse and profit variance was favourable. ☐

[1 mark]

0 9

According to Porter's five forces, which **one** of these events is most likely to help a business's profitability?

- A** A decrease in supplier power. ☐
- B** A new entrant into the market. ☐
- C** An increase in buyer power. ☐
- D** New product development by a competitor. ☐

[1 mark]**Turn over for the next question**

0 5

Turn over ►

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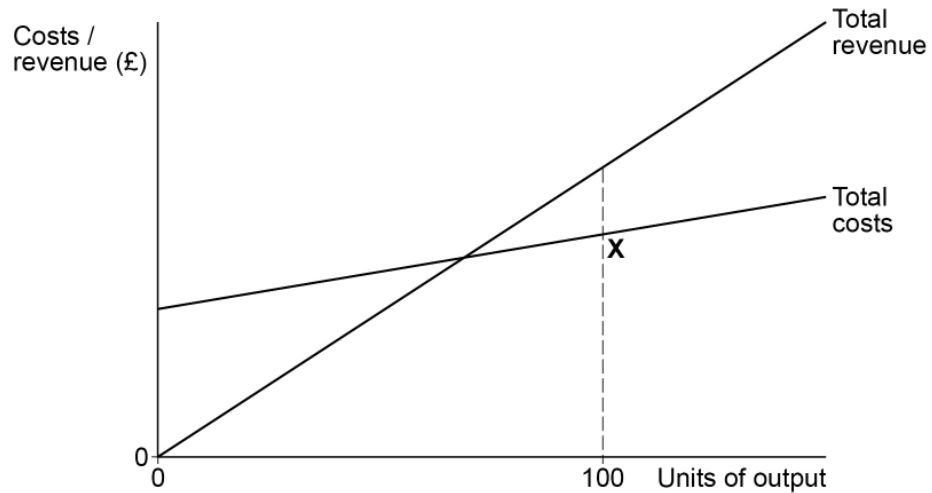
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1 2

The diagram below shows the original breakeven chart for a product.

Do not write
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Figure 2



The product's fixed costs then decrease and its variable costs per unit increase such that, at its current output of 100 units, the total costs are still the same, as shown by point X.

Which one of these statements is correct?

[1 mark]

- A Its break-even output falls and its margin of safety increases. ☐
- B Its break-even output increases and its margin of safety falls. ☐
- C Its break-even output and its margin of safety remain the same. ☐
- D Its break-even output remains the same and its margin of safety increases. ☐



0 8

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5

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***Turn over ►**

0 5

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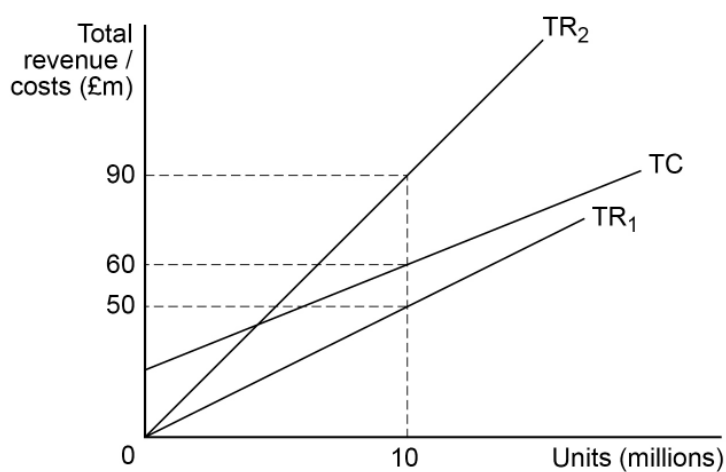


4

0 5

The diagram below shows a breakeven chart.

Do not write
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box



The business produces and sells 10 million units of output. Price rises from £5 to £9. As a result, profit changes:

[1 mark]

A from minus £10m to £30m.

☐

B from minus £10m to £40m.

☐

C from £10m to £30m.

☐

D from £10m to £40m.

☐


0 4

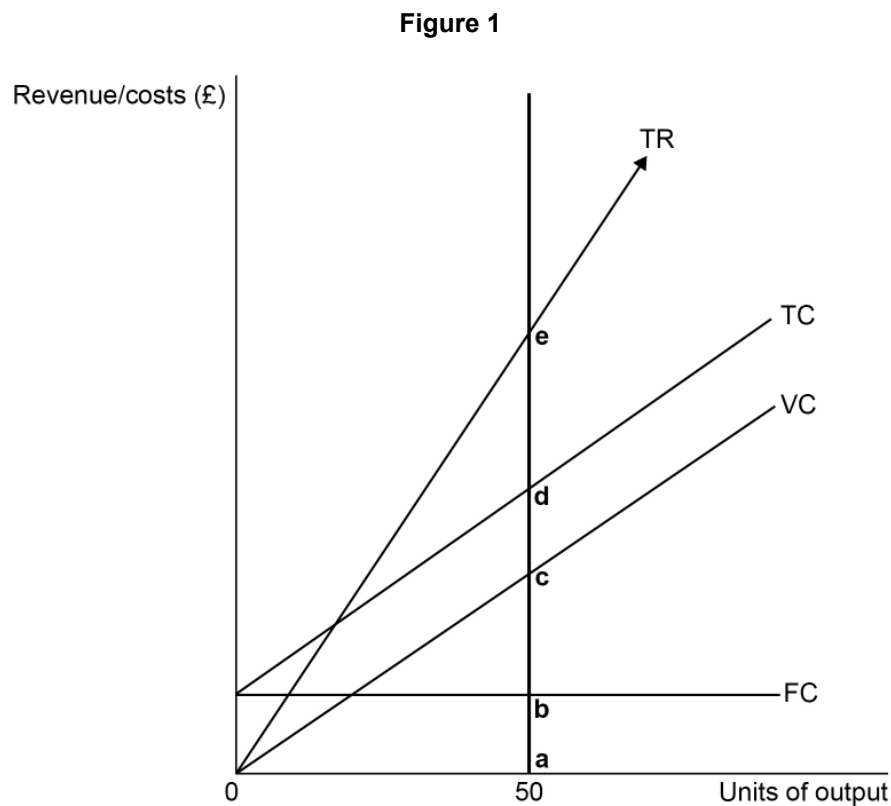
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4

0 4 Figure 1 shows a break-even chart.

Do not write
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box



Statement 1: 'At 50 units of output, the distance between **c** and **d** shows the level of fixed costs.'

Statement 2: 'At 50 units of output, the distance between **c** and **e** shows the total contribution.'

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

IB/G/Jun23/7132/1



3

0 3

Delayering in a business is likely to:

[1 mark]

A decrease the span of control of managers.

☐

B improve the speed of vertical communication.

☐

C increase opportunities for promotion.

☐

D lead to less autonomy for workers.

☐

0 4

The data below shows the budgets of a business for a particular year:

Budgeted income: £200m

Budgeted expenditure: £160m

At the end of the year, the actual income was as budgeted but expenditure was 20% higher than the budget.

This means that the actual profit showed:

[1 mark]

A a favourable variance of £8 million.

☐

B a favourable variance of £32 million.

☐

C an adverse variance of £8 million.

☐

D an adverse variance of £32 million.

☐

0 5

Which one of the following statements is **true**?

In a SWOT analysis:

[1 mark]

A a recession in the business' main export market is a weakness.

☐

B an increase in labour productivity in the business is an opportunity.

☐

C an increase in the number of patents held by a business is a strength.

☐

D disappointing levels of innovation from research and development are a threat.

☐

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0 3

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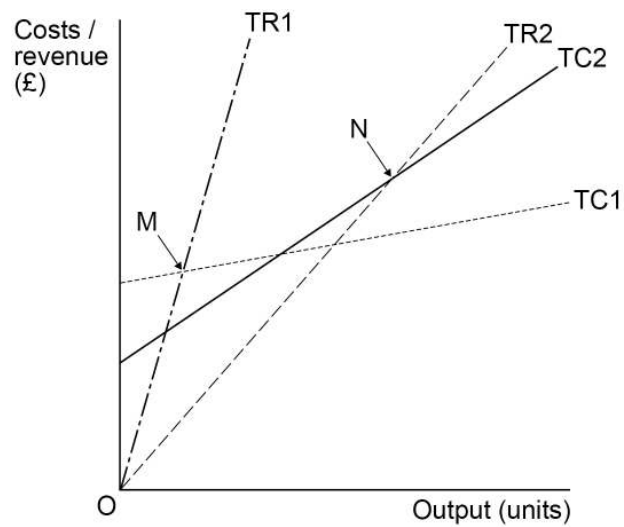


4

0 6

Figure 1 shows a situation in which there is a change in the break-even point of a product from point M to point N.

Do not write
outside the
box



The change in break-even point from M to N has been caused by:

[1 mark]

- A** a fall in price and a decrease in fixed costs and an increase in variable costs per unit.
- B** a fall in price and an increase in fixed costs.
- C** a rise in price and an increase in fixed costs and a decrease in variable costs per unit.
- D** a rise in price and an increase in variable costs per unit.

☐
☐
☐
☐


0 4

IB/G/Jun25/7132/1



The full case study for O1.1 (2 marks), which follows on the next pages. Read it before answering.

G-Free Ltd

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.

A bar chart showing the number of people in the UK who have been in a long-term relationship for 10 years or more, from 2011 to 2018. The y-axis is labeled '£ million' and ranges from 0 to 600 in increments of 100. The x-axis shows the years from 2011 to 2018. The bars are grey with black outlines. The values for each year are: 2011 (213), 2012 (245), 2013 (275), 2014 (305), 2015 (330), 2016 (405), 2017 (450), and 2018 (538). A bracket under the years 2017 and 2018 is labeled 'Estimate'.

Year	Number of people (million)
2011	213
2012	245
2013	275
2014	305
2015	330
2016	405
2017	450
2018	538

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: 30

- 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. 35 40

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. 45

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. 50

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. 55

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. 60

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 40).

< CASE STUDY

2

Do not write
outside the
boxAnswer **all** questions.Read the **case study** in the **insert booklet**.

0 1 . 1

Calculate the Gross Profit Margin for G-Free Ltd in 2016.

[2 marks]

Gross Profit Margin _____

Workings _____

0 1 . 2

The Operating Profit Margin for G-Free Ltd is forecast to increase much more than the Gross Profit Margin between 2017 and 2019.

Explain why this may be the case.

[4 marks]

6



0 2

IB/G/Jun17/7131/2



0 2

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

Do not write
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box

Bell Ltd

Bell Ltd is a UK-based food manufacturer with 27 branded products in three main markets:

- sweets
- snacks
- drinks.

The company has been very successful over many years, increasing its market share in each market. It has responded to market changes by investing in the development of new products such as low-sugar and vegetarian ranges. It monitors the sales and costs associated with each of its brands.

100% of shares in Bell Ltd are owned by four members of the Bell family who also have management roles in the business. The owners feel long-term strategic decision making at the company is more effective than if it was a public limited company.

Bell Ltd actively manages the trade credit offered to retailers who buy its products, such as chasing any overdue payments and minimising the period of credit it offers to them. By building long-term relationships with suppliers, it has secured favourable credit terms from them.

Speckles is produced by Bell Ltd and used to be a leading brand of sweets in the UK. In terms of the Boston Matrix, *Speckles* is now a 'dog'. It was recently announced that *Speckles* would be discontinued. A social media campaign against this decision claimed that *Speckles* was an iconic brand from people's childhoods and should be saved.

Table 1 Financial data for the *Speckles* brand

Year	2019	2020
Sales revenue (£'000)	40	20
Cost of sales (£'000)	25	16
Gross profit (£'000)	15	4



0 8

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02.1 Calculate the Gross Profit Margin for *Speckles* in 2020.

[2 marks]

2

0 2 . 2 Analyse how Bell Ltd's cash flow is improved by the way it manages its payables and receivables.

[6 marks]

6

Question 2 continues on the next page

Turn over ►



12

Shown below is a cash flow forecast for a business.

[3 marks]

	2018 £	2019 £
Opening balance	(50 000)	
Cash inflows	80 000	120 000
Cash outflows	70 000	180 000
Closing balance	(40 000)	

Calculate the closing balance of the business in 2019.

Workings

Do not write
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3



11

1 3

A retailer has decided to pay salaries to its employees instead of commission on the sales they make. Explain one benefit to the retailer **and** one benefit to the employees of making this change.

[4 marks]

Extra space

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box*

4**Turn over for the next question**

1 1

Turn over ►

IB/M/Jun18/7131/1



Case study: The Hostel Society (AS Paper 2, June 2018 insert)

The full case study for Q1 (3 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. 1

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. 5

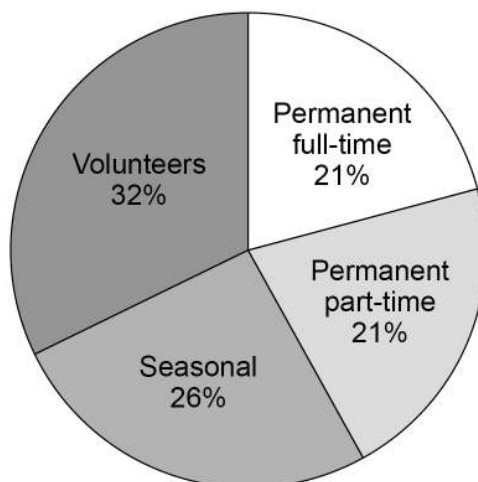
The board of trustees at HS governs the organisation and sets its strategic direction – each trustee gives his or her time and expertise voluntarily. Other enthusiastic members volunteer to help manage hostels, maintain the grounds, carry out administration tasks and organise events. These volunteers 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. 10 15

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. 20

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.

25

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.

30

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.

35

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.

40

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.

45

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 48).

< CASE STUDY

2

Answer **all** questions.

Read the **case study** in the **insert booklet**.

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0 1

Use **Figure 2** to calculate how many overnight stays were required for HS to break-even in 2017.

[3 marks]

Break-even number of overnight stays _____

Workings _____

3

0 2

Use **Figure 2** to calculate the profit made by HS from hostels in 2017.

[3 marks]

Profit _____

Workings _____

3



0 2

IB/G/Jun18/7131/2



Case study: VeganLife Ltd (AS Paper 2, June 2022 insert)

The full case study for Q2 (3 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. 1
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. 5

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. 10

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.
- 15

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 20
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. 25

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 30
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. 35
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 40
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 45
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 50
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 51).

< CASE STUDY

2

Answer **all** questions.Read the **source** in the **Insert**.Do not write
outside the
box**0 1**Using the data in **Figure 1**, calculate VeganLife Ltd's gross profit for 2020.**[3 marks]**

Answer _____

Workings _____

3**0 2**

VeganLife Ltd is considering launching a new range of products for men.

Using the information provided in **Figure 2**, calculate the break-even output for the proposed new shower gel.**[3 marks]**

Extra space _____

3

0 2

IB/G/Jun22/7131/2



Section B

Answer **all** questions in this section.

11

The following data applies to a business.

Price of product	£5
Variable cost per unit	£3
Fixed costs	£30 000
Number of sales of product	22 000

Calculate the margin of safety for the business.

[3 marks]

12

Explain **one** factor that will cause the share price of a public limited company to increase.

[3 marks]

Turn over for the next question

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box

3

3

Turn over ►



Case study: Boss Balloons Ltd (AS Paper 2, June 2023 insert)

The full case study for Q2 (3 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 20

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

30

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.

35

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.

40

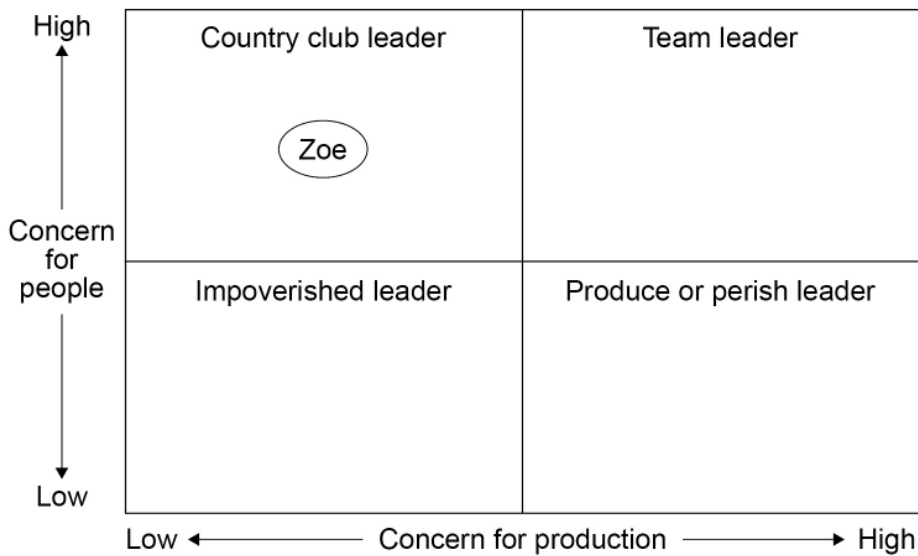
New manager

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.

45

50

Appendix A: Blake Mouton grid



END OF SOURCE

Case study: Play Equipment Ltd (AS Paper 2, June 2024 insert)
The full case study for Q2 (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 58).

< CASE STUDY

2

Answer **all** questions.

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

01

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]

02

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

[3 marks]

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60

Case study: Hoods Ltd (AS Paper 2, June 2025 insert)

The full case study for Q2 (3 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. 1

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. 5

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. 10

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.' 15

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 . 20 25

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. 30

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. 35 40



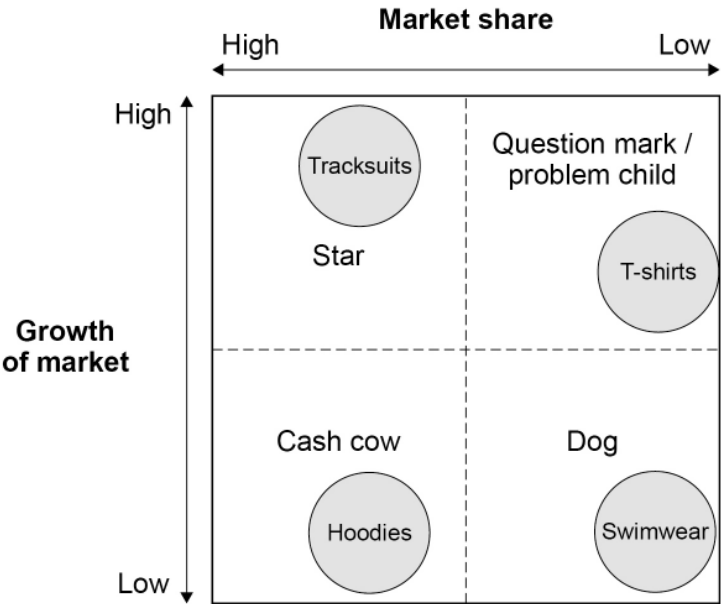
Figure 1: Financial data for 2022 to 2024

	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 61).

< CASE STUDY

2

Answer **all** questions.

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

01

Using the data in **Figure 1**, calculate the percentage change in sales revenue from 2022 to 2024.

[3 marks]

02

Using the data in **Figure 1**, calculate the gross profit margin in 2024.

[3 marks]

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3



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

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01

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

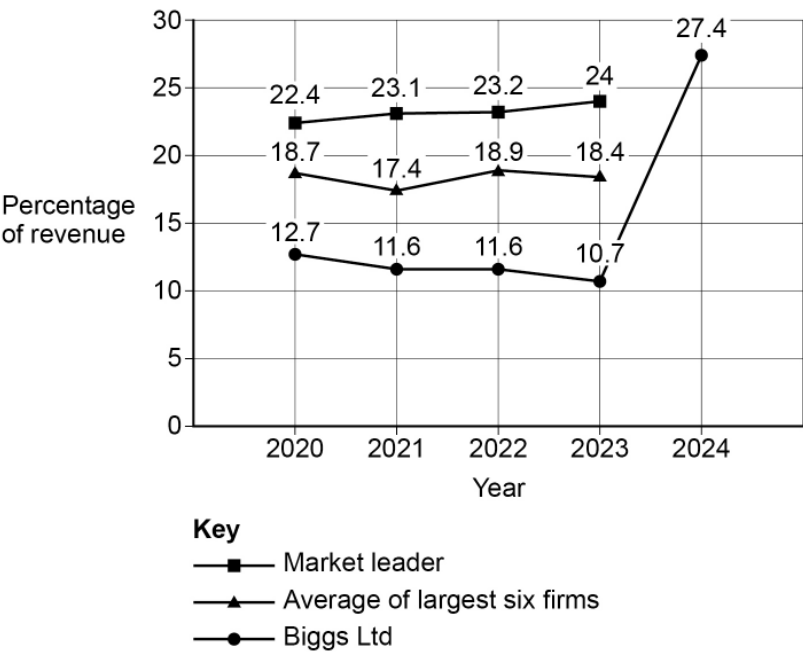
Appendix B Labour productivity for Biggs Ltd and the snack food industry average (shown as an index number, base year = 2017)

Year	Biggs Ltd	Industry average
2020	104.2	104.3
2023	100.3	105.9



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

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* 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

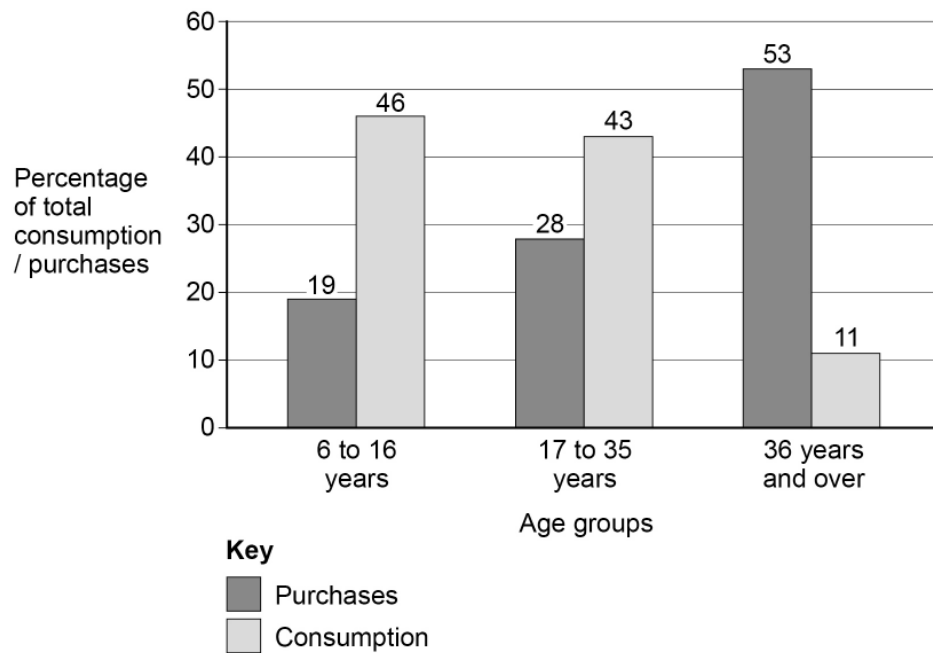
Survey question	Average survey score by age group		
	6 to 16 years	17 to 35 years	36 years and over
I will definitely try the new products when they are available.	9.9	7.2	1.8
The promotional campaign improves my view of Biggs Ltd's brand.	8.3	6.3	8.0
I frequently consume snack foods at sports events.	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.

Turn over ►



4

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

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



0 4

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5

01.1

Using **Appendix A**, calculate Biggs Ltd's payables days ratio for 2023.

[4 marks]

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01.2

Using the information provided, explain **one** reason why Biggs Ltd's gross profit margin for 2023 fell to 46.9%.

[3 marks]

3

Question 1 continues on the next page

Turn over ►



0 5

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2

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.

SCF

SCF is a UK-based manufacturer of components that are sold to UK and EU businesses which use them to produce computers. It has strong relationships with its small number of customers. However, recent vertical and horizontal mergers involving other firms in the sector have reduced the number of buyers. As a result, there are fewer opportunities to win new contracts. Furthermore, many of the biggest computer manufacturers only want to deal with large suppliers. Some manufacturers will only purchase components made in the European Union (EU).

SCF's owners are increasingly concerned about falling sales and profit margins. They recently appointed a new Chief Executive who set out a vision for ambitious growth. The growth plans focus on supplying directly to EU manufacturers from a new factory in Spain. This factory would replace the existing UK site, where efficiency has been falling.

Appendix A Extract from SCF's cash flow forecast

	October 2025 (£m)	November 2025 (£m)
Total inflows	3.24	3.35
Total outflows	3.11	3.22

Note: The closing balance for 31 October is £4.30 million.

Appendix B Financial information for SCF, 2022–2024

Year	2022	2023	2024
Inventory turnover (times)	5.9	5.6	5.2
Operating profit (£m)	0.92	0.71	0.63
Non-current assets (£m)	7.3	7.5	8.2
Non-current liabilities (£m)	3.1	2.9	2.8
Capital employed (£m)	9.3	10.0	10.2

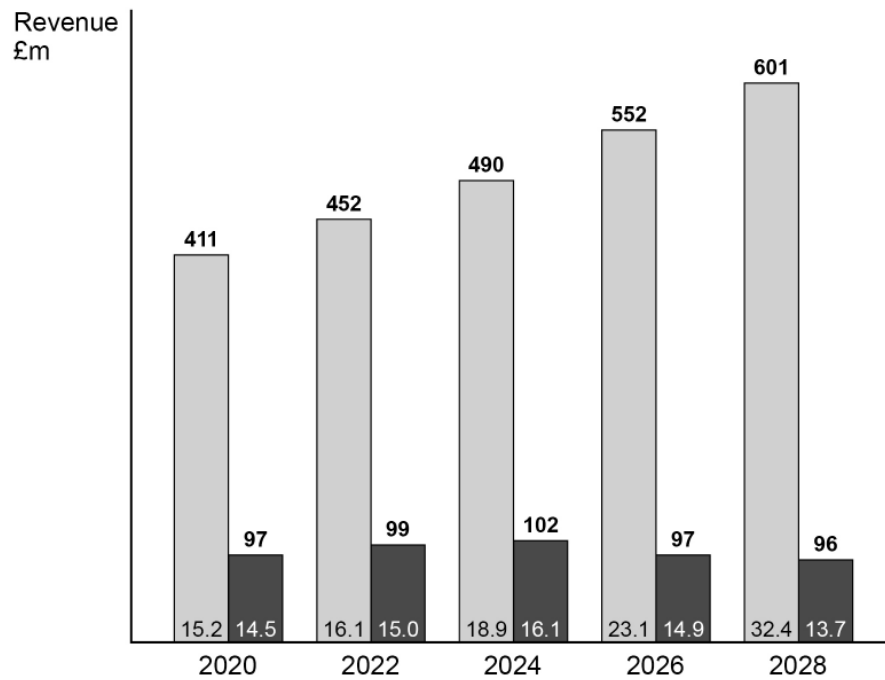


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3

Appendix C Value of total market and SCF's sales in different markets, 2020–2028Revenue
£m**Key**

■ EU (excluding UK)

■ UK

411 Total market sales (£m)

15.2 SCF's sales (£m)

Note: Values for 2026 onwards are forecasts. These do not take into account the plan to move production to Spain.

Appendices continue on the next page

Turn over ►



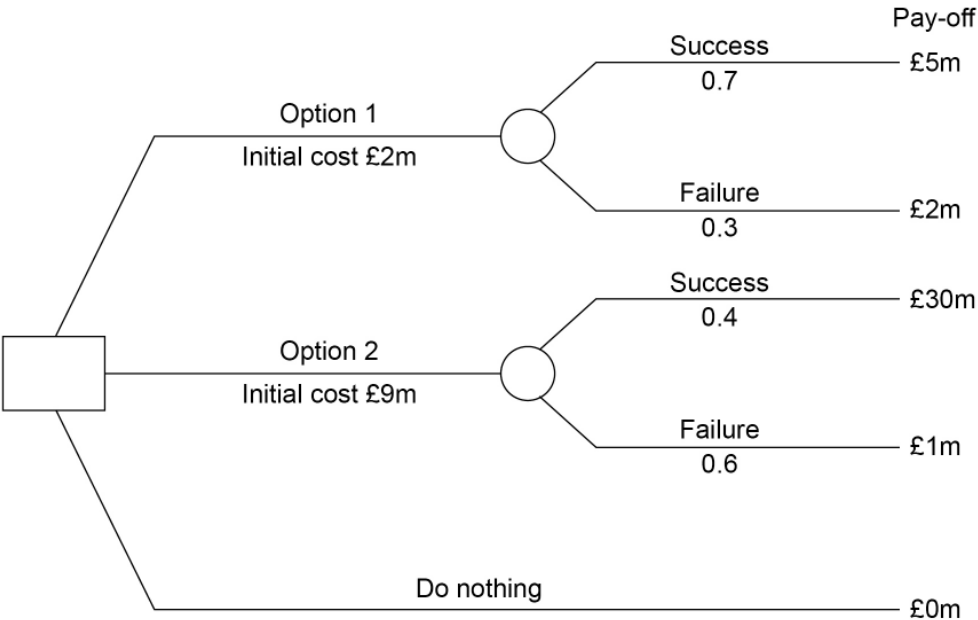
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Appendix D Decision tree showing outcomes of different strategic options predicted by SCF's sales forecasting

Option 1: Upgrade existing UK factory
Option 2: Build new factory in Spain



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Appendix E Forecasts for selected economic variables, 2025–2028

	2025	2026	2027	2028
UK GDP growth (%)	+0.2	+1.2	+0.6	+1.3
EU GDP growth (%)	+3.1	+3.6	+4.2	+5.1
UK unemployment (%)	5.5	6.2	7.1	7.0
UK interest rates (%)	5.4	5.2	5.5	6.1
Value of the £ in euros	€1.18	€1.10	€1.03	€1.00



5

0 1 . 1

The data in **Appendix A** assumed all customers would make immediate payments. With effect from 1 November, customers will be given one month's credit.

Calculate SCF's closing balance for November, assuming all customers take advantage of the new payment terms.

[3 marks]

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0 1 . 2

Explain **one** possible reason for the change in inventory turnover shown in **Appendix B**.

[4 marks]

4

Question 1 continues on the next page

Turn over ►



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Section B

Answer **all** questions in this section.

1 1 Calculate the operating profit variance and state whether it is adverse or favourable.

	Budget (£m)	Actual (£m)
Sales revenue	3.5	2.3
Cost of sales	1.3	1.2
Expenses	1.4	1.5
Operating profit/loss		

[4 marks]

Operating profit variance _____

Working _____

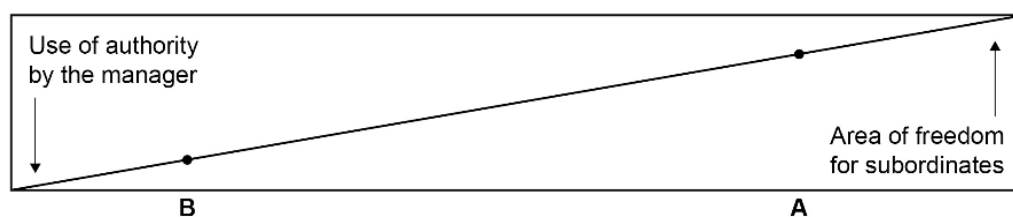
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9

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1 2 Explain why managers may change their style from that shown at **A** to that shown at **B** on the Tannenbaum and Schmidt diagram below.



[5 marks]

Extra space _____

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IB/G/Jun17/7131/1



The full case study for O1.2 (4 marks), which follows on the next pages. Read it before answering.

G-Free Ltd

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.

A bar chart illustrating the growth of long-term relationships in the UK. The vertical axis represents the number of people in millions, ranging from 0 to 600. The horizontal axis lists the years from 2011 to 2018. Each year has a corresponding grey bar with its value labeled on top. A bracket under the 2017 and 2018 bars indicates they are estimates.

Year	Number of people (million)
2011	213
2012	245
2013	275
2014	305
2015	330
2016	405
2017	450
2018	538

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: 30

- 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. 35 40

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. 45

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. 50

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. 55

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. 60

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 74).

< CASE STUDY

2

Do not write
outside the
boxAnswer **all** questions.Read the **case study** in the **insert booklet**.

0 1 . 1

Calculate the Gross Profit Margin for G-Free Ltd in 2016.

[2 marks]

Gross Profit Margin _____

Workings _____

0 1 . 2

The Operating Profit Margin for G-Free Ltd is forecast to increase much more than the Gross Profit Margin between 2017 and 2019.

Explain why this may be the case.

[4 marks]

6



0 2

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3

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Explain how setting up as a private limited company in 2005 helped reduce Stephanie's risks.

[4 marks]

Extra space

4

Turn over for the next question



0 3

Turn over ►

IB/G/Jun17/7131/2



9

1 3

The following data applies to a business:

- break-even output = 500 units
- fixed costs = £30 000
- variable cost per unit = £30.

The business is currently operating at its break-even output. Calculate its selling price.
Show your workings.

[4 marks]

Selling Price £ _____

Workings _____

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4**Turn over for the next question****Turn over ►**

0 9

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Case study: Slow Fashion (AS Paper 2, June 2019 insert)

The full case study for Q2 (4 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. 1

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. 5

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. 10

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. 15

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. 20

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. 25

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. 30

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. 35

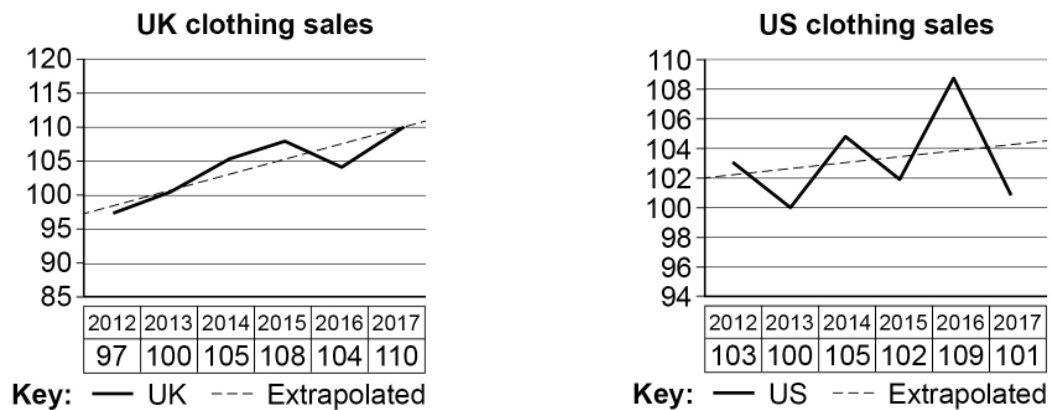
Rana Fashion outsources its increasingly wide and complex distribution function to international distribution companies such as UPS. These ongoing contracts have specific targets for customer service, based on delivery times such as 48 hours across the UK and Europe. UPS delivers to over 220 countries, 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. 40

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%

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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 80).

< CASE STUDY

2

Answer **all** questions.Read the **source** in the **insert booklet**.Do not write
outside the
box**0 1**Using **Figure 1**, calculate the percentage change of UK clothing sales from 2015 to 2016.**[3 marks]**

3**0 2**

The budgeted profit for Rana Fashion in 2018 was £2 946 000. Using the data below, calculate the profit variance for Rana Fashion in 2018. State whether it is adverse or favourable.

[4 marks]

	Actual
Sales revenue	£5 600 000
Costs:	
Inventory	£2 300 000
Warehousing	£200 000
Distribution	£126 000
IT	£170 000
Other	£180 000

Workings

Budgeted profit variance

Adverse/favourable?

4

0 2

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8

1 3

A family-owned private limited company is planning an expansion.

Explain **one** disadvantage to the shareholders of this business of selling shares to finance this expansion.

[4 marks]

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box

4**1 4**

A business budgeted its labour costs to be £4 million for 2019. It recorded an adverse variance of £2 million on this budget.

Explain **one** action the business managers might take in these circumstances.

[4 marks]

Extra space

4

0 8

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13

The table below shows data for the market for a product in 2020.

Business	Sales (2020)	Sales growth (2021)
X	£40 million	10%
Y	£100 million	50%
Z	£186 million	0%
All other businesses	£170 million	0%
Total market size	£496 million	?

Calculate the market share of Business X in 2021.

[4 marks]

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box

4

14

Explain **one** benefit to a newly established business of producing a budget.

[4 marks]

4



Section B

Answer **all** questions in this section.

11

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]

12

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]

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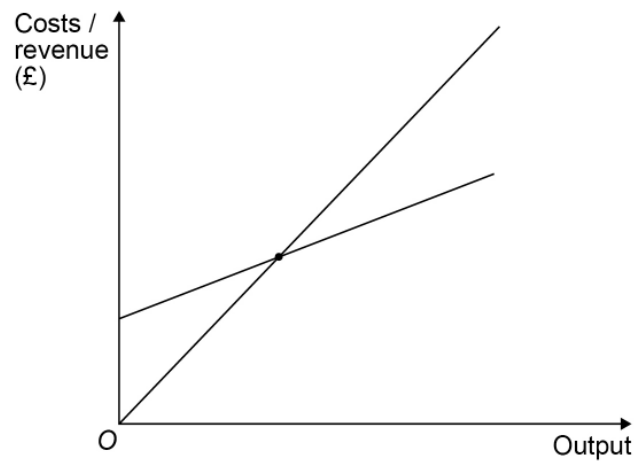
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4

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87

9

Section BAnswer **all** questions in this section.Do not write
outside the
box**1 6****Figure 3** shows a break-even chart.**Figure 3** Break-even chart

Two changes take place:

- there is a fall in the cost of raw materials
- the business increases the selling price of the product.

Draw **two** new lines on **Figure 3** to show how these changes might affect the break-even chart.Label the new total revenue line **TR** and label the new total cost line **TC**.**[4 marks]**

4

Turn over for the next question**Turn over ►**

0 9

IB/G/Jun19/7132/1



11

Section BAnswer **all** questions in this section.Do not write
outside the
box**1 6**

The table below shows a company's budgeted income and expenditure for 2019.

Income	£80 million
Expenditure	£70 million

At the end of the year the actual income and expenditure are as follows:

- income is 5% below the budgeted figure
- expenditure is 10% higher than the budgeted figure.

Calculate the profit variance and state whether it is adverse or favourable.

[4 marks]

4**Turn over for the next question****Turn over ►**

1 1

IB/G/Jun20/7132/1



Section B

Answer **all** questions in this section.

16

The data below applies to Product X.

Fixed costs = £8000

Selling price = £10

Variable costs per unit = £6

Total contribution from current level of output = £10 000

Calculate the margin of safety for Product X at its current level of output.

Show your working.

[4 marks]

Answer _____

Working _____

Turn over for the next question

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0 3

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

Do not write
outside the
box**Global Airways (GA)**

Cabin crew are staff on an airplane who look after the passengers. The managers of Global Airways (GA) have recently proposed new pay levels for cabin crew who join the company from January 2019. Their pay would be lower than the cabin crew already employed by the company. This is part of an effort by GA to cut costs to enable the business to be more price competitive in response to aggressive price cuts by rivals. GA managers believe that cutting the price of its tickets can help to increase the airline's operating profit margins on its flights.

A trade union, called UAS, represents many of the cabin crew staff. UAS has complained about the proposed pay levels. There has been one meeting so far between the UAS and senior management about the proposal. Managers want the pay deal to go ahead, UAS does not.

Since the meeting:

- UAS is considering whether to advise GA's cabin crew that they take strike action
- the managers of GA have arranged to lease planes and use crew from another airline if needed. Managers believe that with these contingency plans GA could operate over 99% of its normal flight schedule
- the managers have undertaken new research (Appendix G).

Appendix G New research for GA's management

- Income elasticity of demand for GA flights: +1.5
- Estimated annual income changes of GA's target market 2018–2020: –2%
- Cabin crew membership of UAS union has increased this year to 65%



19

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GA is considering cutting the price of its tickets. Explain how this might increase its operating profit margin on each ticket sold.

[5 marks]

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Question 3 continues on the next page

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1 9

IB/M/Jun18/7132/2



12

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Explain how the use of break-even analysis might help an entrepreneur make decisions about the start-up of a new business.

[6 marks]

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Extra space _____

6



Section CAnswer **all** questions in this section.**1 5****AdventureCamp**

In 2015 Sam Turner decided to leave the army and set up his own business. He had always enjoyed being a risk taker. He spent nearly a year establishing AdventureCamp Ltd (AC Ltd) just outside London. At the camp Sam runs outdoor activities for adults such as zip wire and rope climbing challenges; it includes a café area. Sam is very 'hands on' and enjoys managing every aspect of the business. However, he has found it harder than he imagined negotiating with suppliers and banks; perhaps because the business is new and small.

Sam targets business customers who use his camp for team-building events. Sam designs specific activities for each business based around his specialist army training. He has offered very favourable trade credit terms and, in this first year, big discounts where necessary to win bookings. He believes that once organisations have used his services he will win their repeat business and their brand loyalty. He is well aware there are many other team-building companies that businesses could use.

For his first year Sam set two financial targets: to break even and to keep his short-term borrowings from the bank under £25 000. His mission is to create a number of AdventureCamps across the UK in the next few years.

Sam is now considering two options. He does not have the time to do both.

Option 1: Adding new facilities to the existing camp to provide some activities that are usable when the weather is bad. Sam has had to cancel bookings at the very last minute because of health and safety issues when there are high winds or heavy rain. This has led to complaints.

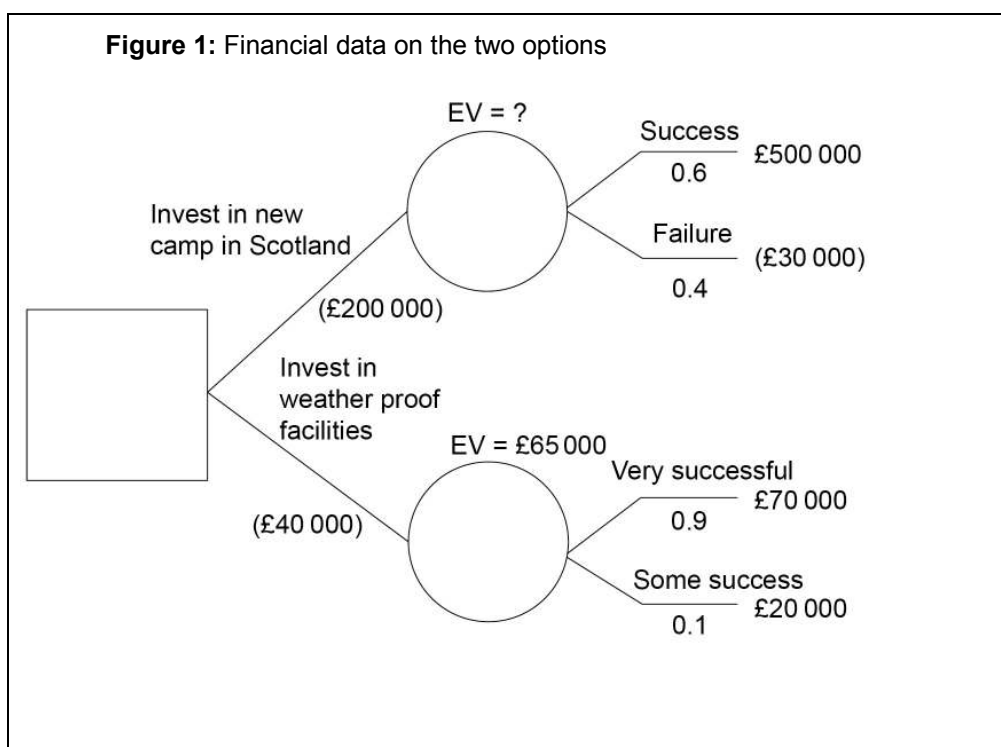
Option 2: Opening a brand new and much larger camp in Scotland with the aim of targeting families wanting outdoor activities (eg for birthday parties). A friend has told Sam of some land that is available near Edinburgh and, having asked a few local families, she thinks there is potential. She has put together some financial estimates based on this. Sam is very excited at the idea of a second camp.

Table 1: Financial extracts for AC Ltd on 31 December 2016

Item	Data
Receivables	90 days
Payables	21 days
Overdraft	£35 000
Debt	£100 000
Total long-term funds invested in the business (including debt)	£150 000
Average contribution per customer in 2016	£25
Total number of customers in 2016	8000
Fixed costs in 2016	£207 000
Interest rates on existing loan	5.5%



13

Do not write
outside the
box**Figure 1:** Financial data on the two options

Question 15 continues on the next page



1 3

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IB/G/Jun17/7131/1



14

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1 **5** . **1** Use **Table 1** to analyse the weaknesses of AC Ltd's financial position on 31 December 2016.

[9 marks]

[illegible][illegible]

9



Section CAnswer **all** questions in this section.Do not write
outside the
box**1 6****Rockall Ltd**

Rockall Ltd is a family-owned business that has manufactured clothes for 30 years. The company has grown steadily without taking 'excessive risks'. The business targets the 16–30 age segment of the clothes market where low prices are important to customers. Rockall is recognised in this market for its 'good value'. To keep production costs low, basic materials and designs are used for all the products it makes. Rockall does not use advertising.

Table 1 Extracts from Rockall Ltd Income Statements 2019 and 2020

	2020	2019
Revenue	£850 million	£650 million
Gross profit margin	80%	75%
Operating profit margin	38%	45%

2020 was a busy year for Rockall:

- It doubled the size of its rented head office.
- Several new retailers signed contracts to sell its products. This resulted in larger purchases of materials allowing it to negotiate considerable discounts.
- It introduced lean production.
- It introduced a new layer of management.

Rockall is thinking about the future. In the last couple of years it has launched two new product ranges: sports shoes and jewellery accessories. It has now decided that, in addition to its clothing, it will increase its investment in just one of these new product ranges. Recently, Rockall completed market research that showed:

- total sales in the sports shoe market targeted by Rockall were double jewellery market sales last year
- many customers in the sports shoe market are in the 16–30 age range
- a number of large, well-known sports shoe brands dominate this market, spending several hundred million pounds on advertising
- the sports shoe brands charge high prices and make high profit margins
- its jewellery generally has a lower gross profit margin than its sports shoes
- there are many relatively small producers in the jewellery market.



Case study: Boss Balloons Ltd (AS Paper 2, June 2023 insert)

The full case study for Q5 (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 20

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

30

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.

35

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.

40

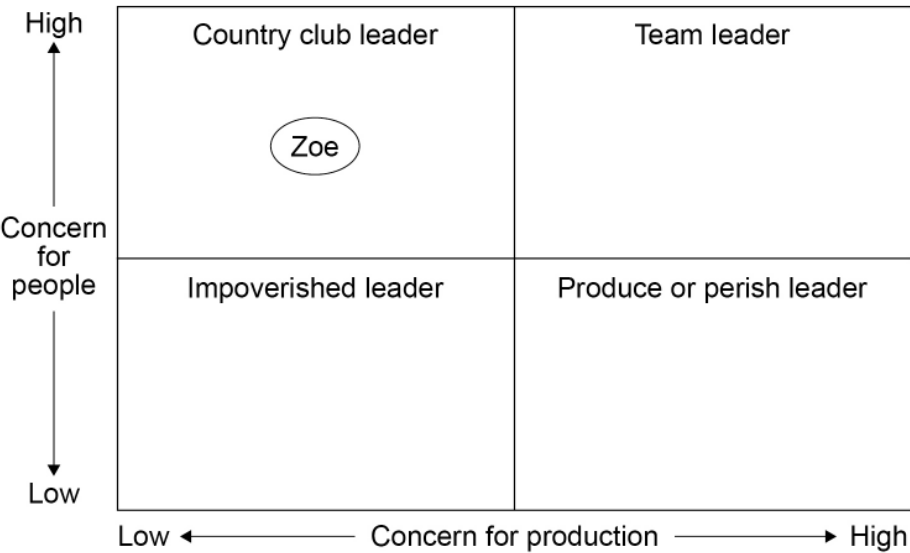
New manager

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.

45

50

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 102).

< CASE STUDY

6

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Analyse the impact on BB's financial performance if it decides to take the contract with the hotel.

[9 marks]

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Case study: Hoods Ltd (AS Paper 2, June 2025 insert)

The full case study for Q5 (9 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. 1

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. 5

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. 10

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.' 15

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 . 20 25

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. 30

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. 35 40



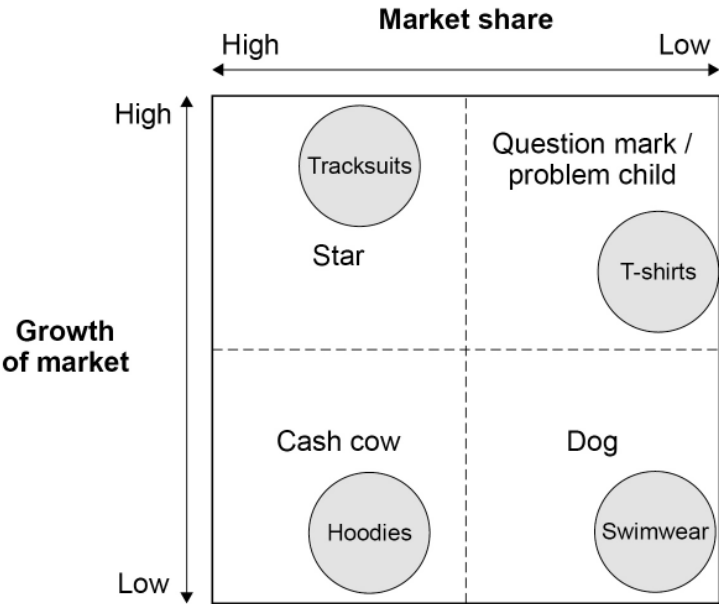
Figure 1: Financial data for 2022 to 2024

	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 105).

< CASE STUDY

5

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Analyse the impact on Hoods Ltd if Habib decides to delegate control of budgets to the site managers.

[9 marks]

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IB/G/Jun25/7131/2



Case study: DWS Ltd (A Level Paper 3, June 2019 insert)

The full case study for Q1 (12 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.

5

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.

10

15

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.

20

25

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.

30

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.

35



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

40

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**.

45

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.

50

55

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.

60

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



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 108).

< CASE STUDY

2

Answer **all** questions.

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

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Analyse **two** possible reasons why Mike introduced a budgeting system for DWS Ltd in 1991.

[12 marks]



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Case study: Play Equipment Ltd (AS Paper 2, June 2024 insert)
The full case study for Q6 (16 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 114).

< CASE STUDY

6

06

Using **Figure 2** and the case study, evaluate whether the managers of PE Ltd should be concerned about its financial position.

[16 marks]

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SUB-TOPIC 3.5.3 · 13 questions · 114 marks · lowest tariff first

MAKING FINANCIAL DECISIONS: SOURCES OF FINANCE

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

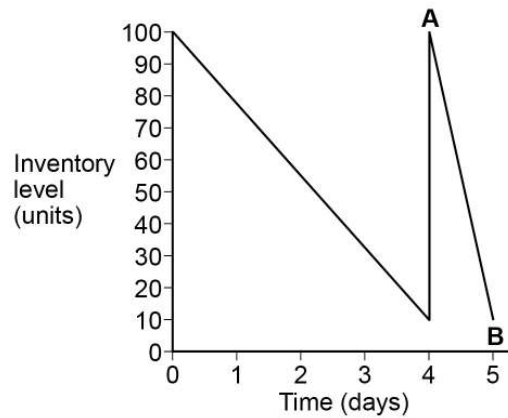
- A Debt factoring
- B Share capital
- C Sale of buildings
- D Venture capital

☐☐☐☐

[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]



0 5

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IB/G/Jun17/7131/1



2

Section A

Answer **all** questions in this section.Do not write
outside the
boxOnly **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

A bank overdraft is:

[1 mark]

A an external source of long-term finance.

☐

B an external source of short-term finance.

☐

C an internal source of long-term finance.

☐

D an internal source of short-term finance.

☐

0 2

Statement 1: 'Total contribution = (selling price per unit – variable costs per unit) × quantity'.**Statement 2:** 'Total revenue = Total contribution + 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.

☐

0 2

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2

Section A

Answer **all** questions in this section.Do not write
outside the
boxOnly **one** answer per question is allowed.

For each answer 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: 'Debt factoring is usually a short-term source of finance.'

Statement 2: 'Bank overdrafts are usually a long-term source of finance.'

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 2

Penetration pricing is setting a price that is

A associated with products with high income elasticity of demand.☐**B** intended to maximise the profit margin on each product.☐**C** often used when demand is price elastic.☐**D** often used in markets with high seller power.☐**[1 mark]**

0 2

IB/G/Jun19/7132/1



14

03

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

Do not write
outside the
box**Zani**

Zani PLC is a jewellery retailer. Its products include rings, necklaces and bracelets that are made with precious metals and gemstones. Zani PLC has a strong brand reputation for unique designs. The company targets high-income earners. The price elasticity of demand for Zani PLC's products is estimated to be -0.4 .

Zani PLC was established in 2005 by Ted Zani. Ted had previously worked for a big multinational jewellery business but left because he wanted to be his own boss. He set up the business with venture capital. In its early years, with Ted in charge, the company had a power culture (according to Handy's model). Shareholders felt a change of culture was necessary as the business got bigger and so Ted was replaced as Chief Executive in 2013.

Zani PLC set up 16 of its own stores in its first eight years. The company has continued to grow since then by selling 150 franchises around the world.

03.1

What is meant by venture capital?

[2 marks]

2



1 4

IB/G/Jun20/7132/2



8

1 3

A family-owned private limited company is planning an expansion.

Explain **one** disadvantage to the shareholders of this business of selling shares to finance this expansion.

[4 marks]

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4**1 4**

A business budgeted its labour costs to be £4 million for 2019. It recorded an adverse variance of £2 million on this budget.

Explain **one** action the business managers might take in these circumstances.

[4 marks]

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IB/G/Jun20/7131/1



13

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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]

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IB/M/Jun18/7131/1



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2

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Use the data in **Figure 5** to explain how the use of debt factoring would benefit ABC Ltd.

[9 marks]

Figure 5: Extracts from the balance sheet of ABC Ltd.

	31.3.2015 (£000)	31.3.2016 (£000)	31.3.2017 (£000)
Inventories	200	230	250
Receivables	300	500	690
Cash	400	200	0
Total current assets	900	930	940
Payables	500	530	550



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Turn over for Section C



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IB/G/Jun17/7132/1



13

1 9

To fund a new project, a business increases the proportion of its long-term funding that is debt. Analyse how this change might affect the level of dividends received by shareholders.

[9 marks]

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18

Analyse why a public limited company might prefer to use share capital as a source of finance, rather than a bank loan.

[9 marks]

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Section CAnswer **all** questions in this section.*Do not write
outside the
box***1 6****Colbeck Toys Ltd**

Colbeck's is a UK based toy distributor. It has around 100 warehouse staff who unload, sort and pack toys into boxes to be sold onto retailers. These employees are on zero hours' contracts and worry as this means they are not guaranteed work each week. Labour productivity at the warehouse is low.

In the business head office there are 20 employees. All of these staff are well qualified and experienced. They are highly paid. However, staff feedback shows nearly all these staff feel demotivated.

The business has been owned by the Colbeck family since its establishment 100 years ago. Chris Colbeck, 65, is the current chief executive and his daughter, also a director, is expected to take over when he retires. The family has always prided itself on investing for the future. Chris is fiercely protective of the business. He has a tell style of management which is often commented on by the head office employees.

The business has strong profit figures in the growing market that it operates in; however it has poor levels of cash as lots of it is tied up in the inventory.

Chris has a plan to expand Colbeck's which requires £20 million. He has approached a bank for a loan. Based on its forecasted profit figures the business can currently pay the expected monthly repayments of the new loan. However, last year Colbeck's took out another sizeable loan and experts are predicting interest rates may rise.

Chris has recently had an investment offer from a venture capitalist, Mark Newton. Mark has a strong record of increasing short term profits but often at the expense of employees' jobs. Mark has offered £20 million for a 51% share of Colbeck's. Chris estimates if the business became a public limited company its market capitalisation would be £30 million.



1 2

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Chris needs to make a decision about how to raise the finance for the expansion. Do you think using a bank loan or venture capital would be the better option? Justify your answer.

[16 marks]

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Case study: Boss Balloons Ltd (AS Paper 2, June 2023 insert)

The full case study for Q7 (16 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 20

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

30

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.

35

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.

40

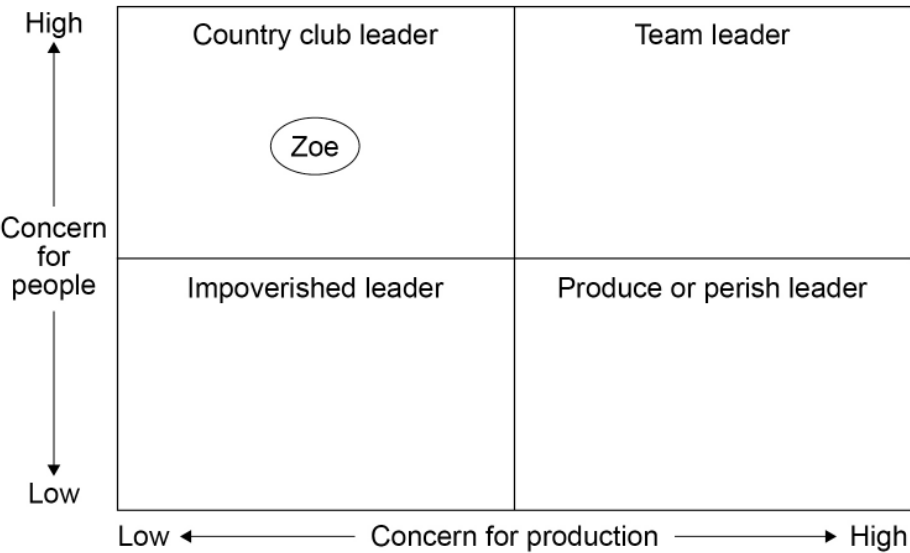
New manager

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.

45

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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 133).

< CASE STUDY

9

0 7

BB needs to raise finance to fund the new warehouse.

Do you think using a bank loan or venture capital would be the better option? Justify your answer.

[16 marks]*Do not write
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IB/G/Jun23/7131/2



The full case study for O7 (20 marks), which follows on the next pages. Read it before answering.

G-Free Ltd

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.

A bar chart showing the number of people in the UK who have been in a long-term relationship for 10 years or more, from 2011 to 2018. The y-axis is labeled '£ million' and ranges from 0 to 600 in increments of 100. The x-axis shows the years from 2011 to 2018. The bars show a steady increase from 213 million in 2011 to 538 million in 2018. The 2018 figure is marked as an estimate.

Year	Number of people (in millions)
2011	213
2012	245
2013	275
2014	305
2015	330
2016	405
2017	450
2018	538 (Estimate)

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: 30

- 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. 35 40

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. 45

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. 50

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. 55

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. 60

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 137).

< CASE STUDY

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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]

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IB/G/Jun17/7131/2



Case study: Logger Boards Ltd (A Level Paper 3, June 2023 insert)

The full case study for Q5 (20 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: 5

'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. 10

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. 15

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. 20

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: 25

- 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**. 30

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**. 35

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 40



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

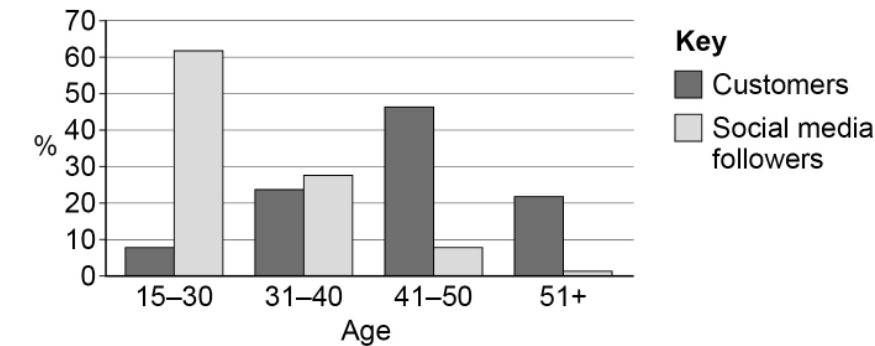
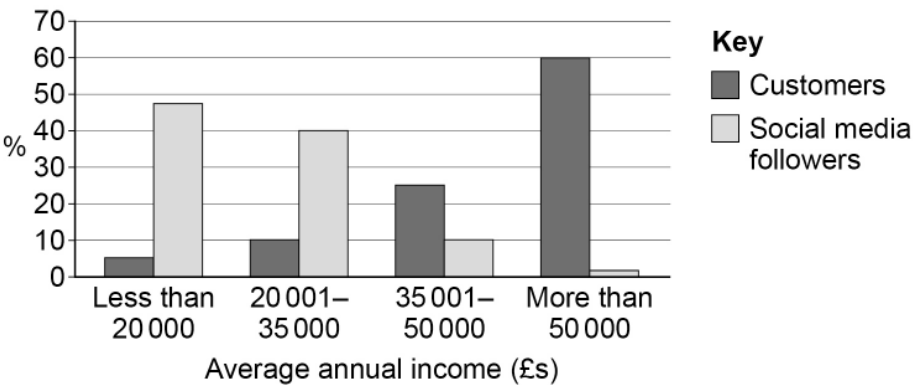


Figure 2 Average income of Logger Boards Ltd customers and social media followers



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 142).

< CASE STUDY

14

0 5

Logger Boards Ltd has been offered a bank loan at 5% interest per year for the £500 000 needed to finance the building of its new production facility.

Using **Appendix B** and other information, to what extent is using a bank loan too big a risk for the business?

Use quantitative and qualitative information to justify your view.

[20 marks]

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SUB-TOPIC 3.5.4 · 10 questions · 99 marks · lowest tariff first

MAKING FINANCIAL DECISIONS: IMPROVING CASH FLOW AND PROFITS

5

0 8

Which of the following actions is most likely to improve profits in the **short-term**?

[1 mark]

A Increasing capital expenditure

☐

B Increasing spending on marketing research

☐

C Increasing the price of a good which has price inelastic demand

☐

D Increasing training for employees in new production methods

☐

0 9

Which **one** of the following is most likely to be the result of successful employee engagement?

[1 mark]

A Higher labour costs per unit

☐

B Higher trade union membership

☐

C Lower labour productivity

☐

D Lower labour turnover

☐

1 0

Company X has a 40% market share. The market size declines by 20%. There are no other changes. Company X's market share now is:

[1 mark]

A 32%

☐

B 48%

☐

C 50%

☐

D 60%

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3

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	☐

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0 2

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

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Bell Ltd

Bell Ltd is a UK-based food manufacturer with 27 branded products in three main markets:

- sweets
- snacks
- drinks.

The company has been very successful over many years, increasing its market share in each market. It has responded to market changes by investing in the development of new products such as low-sugar and vegetarian ranges. It monitors the sales and costs associated with each of its brands.

100% of shares in Bell Ltd are owned by four members of the Bell family who also have management roles in the business. The owners feel long-term strategic decision making at the company is more effective than if it was a public limited company.

Bell Ltd actively manages the trade credit offered to retailers who buy its products, such as chasing any overdue payments and minimising the period of credit it offers to them. By building long-term relationships with suppliers, it has secured favourable credit terms from them.

Speckles is produced by Bell Ltd and used to be a leading brand of sweets in the UK. In terms of the Boston Matrix, *Speckles* is now a 'dog'. It was recently announced that *Speckles* would be discontinued. A social media campaign against this decision claimed that *Speckles* was an iconic brand from people's childhoods and should be saved.

Table 1 Financial data for the *Speckles* brand

Year	2019	2020
Sales revenue (£'000)	40	20
Cost of sales (£'000)	25	16
Gross profit (£'000)	15	4



0 8

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0 2 . 1 Calculate the Gross Profit Margin for *Speckles* in 2020.

[2 marks]

2

0 2 . 2 Analyse how Bell Ltd's cash flow is improved by the way it manages its payables and receivables.

[6 marks]

[illegible]

6

Question 2 continues on the next page

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Section CAnswer **all** questions in this section.Do not write
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box**1 6****Paul's Puzzle Business**

Paul retired from his full-time job in 2018 and started a small business as a sole trader. The most Paul wanted to work was two days a week. He produces wooden puzzles which are sold to two large retailers. Paul's main aim when starting was to make an operating profit of £20 000 a year to add to his pension. Since starting, Paul has more than doubled this profit figure. He has worked more than expected but has really enjoyed it.

Trends for the puzzles change quickly. Paul can respond immediately by altering the designs produced. Paul provides the puzzles to the retailers but receives payment three months later. He makes a large gross profit margin. Paul worries about having to pay his supplier for all material costs even if puzzles do not sell. Last month, sales hit record figures and now the retailers owe Paul a large amount of money.

Paul's supplier usually sells to him in bulk. The supplier has offered an excellent one-off half price deal on materials for orders by the end of this month. Paul is keen to take up the offer. However, he does not have enough cash available to do this. Paul's bank manager advised him that interest rates on loans would be 6% and are rising very rapidly. Another lender said they could arrange a debt factoring agreement at 85% of any sales invoices.

Recently, Paul has been contacted by an investor, Holly. Holly has no experience in this market but is impressed with Paul's business. She believes she can help him to expand but insists that Paul's business would have to be turned into a private limited company. Paul would maintain a 40% share and she would own the rest. Holly would buy new machinery to help Paul make more items. Holly has promised she can increase profits by 300% but she would make all the decisions. This would allow Paul to go back to working two days a week.



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1 6 . 1

Analyse the factors Paul might consider when deciding whether to use debt factoring to improve cashflow.

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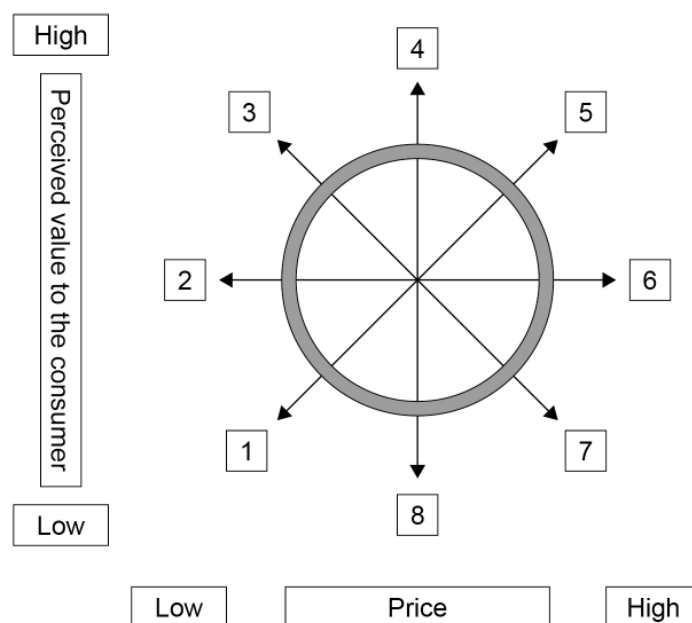
Read the information below and then answer the questions that follow.

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box**Soundcheck plc**

Soundcheck plc offers a streaming service enabling users in more than 160 countries to play a variety of content, such as music and podcasts, on electronic devices. The company initially offered its services free to consumers and earned revenue from advertisers. An additional, paid service was introduced in 2022. Paying subscribers benefit from better quality audio, no adverts, and playlists made by celebrities. Exclusive podcast content also provides paying subscribers with an enhanced experience which justifies a paid subscription model.

Since its launch in 2006, Soundcheck plc has grown to become the market leader. It now employs nearly 4000 staff globally. A stock market flotation has funded huge investment in building a high-quality technology platform, strong brand and a skilled workforce. However, Soundcheck plc has not regularly made an operating profit. Its costs have been rising significantly in recent years and in 2023 it lost £26 million as a global economic slowdown began.

In 2023, Soundcheck plc reached an agreement with trade unions about pay rates and ways of working. The agreement guaranteed starting salaries of at least £36 000 to many staff. This is significantly higher than the industry average. However, there is a global shortage of skilled software engineers and marketing staff so labour turnover rates remain high. In addition to competition for staff, new competitors are attracted to the growing market, including large rivals who are well established in other streaming markets. Other new entrants have also targeted the 'free' sector of the market. Some of these rivals have a competitive advantage because they own the rights to music or other content and so have lower costs than Soundcheck plc.



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

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WWH Ltd

WWH Ltd manufactures and sells a single model of wood-burning stove. Rising energy prices mean that gas and electric heating is expensive to run. Wood-burning stoves are a cheaper and increasingly popular alternative source of heating in homes. This has led to an increase in demand for WWH Ltd's wood-burning stoves. WWH Ltd is profitable and owns its buildings.

WWH Ltd uses demand forecasts to estimate how many wood-burning stoves to make. Once manufactured, the stoves are stored in WWH Ltd's warehouse until they are needed. When a customer places an order, they pay a 25% deposit and the remaining 75% when the stove is fitted in the customer's home. The production department has been able to increase manufacturing to keep up with the growing demand. However, lead time for fitting by WWH Ltd's expert fitters has been increasing and is currently two months.

Looking to the future, WWH Ltd's directors are concerned. The government has introduced legislation to set environmental standards for wood-burning stoves. News media continue to run stories that the sale of wood-burning stoves may be banned completely in the future. This uncertainty means that banks are not willing to lend WWH Ltd any more money.

Up until now, WWH Ltd's directors have seen the focus on a single product as a strength which has allowed them to keep a simple organisational design:

- no need for research and development and new product development
- functional structure with department responsibilities unchanged since the business set up
- relatively flat structure which helps to keep costs under control.

Now, the directors want to grow the business and are considering recruiting more staff and developing a portfolio of new products. Developing newer models of wood-burning stoves may enable WWH Ltd to keep ahead of ever-increasing government environmental standards. Alternatively, developing unrelated products could reduce dependence on a market with increasing government regulation.



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Analyse how WWH Ltd could improve its cashflow.

[9 marks]

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Case study: Slow Fashion (AS Paper 2, June 2019 insert)

The full case study for Q7 (16 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. 1

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. 5

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. 10

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. 15

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. 20

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. 25

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. 30

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. 35

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. 40

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)

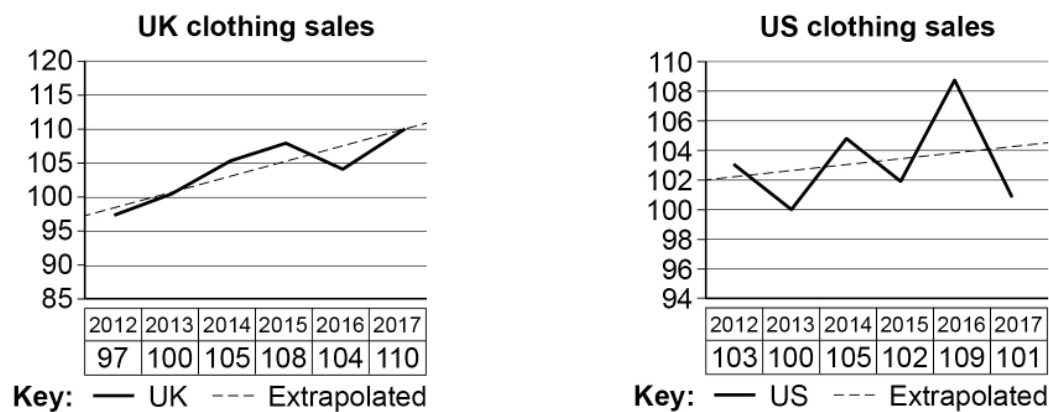


Figure 2: Estimated elasticity data

	'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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1 7

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box**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%



18

17.2

Mary is concerned about Glade Ltd's cashflow problems. Do you think an overdraft is the best way to deal with the company's long-term cashflow problems?

[16 marks]

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END OF QUESTIONS



Case study: Hoods Ltd (AS Paper 2, June 2025 insert)

The full case study for Q6 (16 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. 1

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. 5

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. 10

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.' 15

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 . 20 25

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. 30

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. 35 40



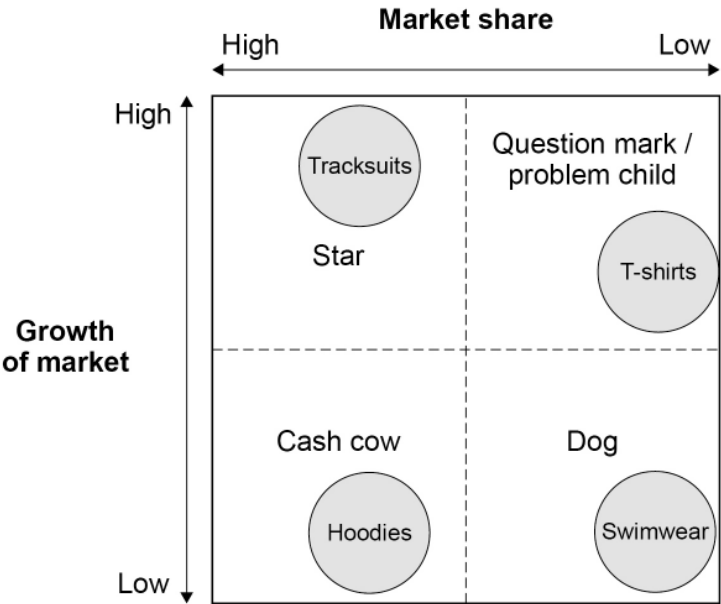
Figure 1: Financial data for 2022 to 2024

	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 169).

< CASE STUDY

6

06

Hoods Ltd wants to improve its cash flow position.

Do you think it should use an overdraft or reduce the time it gives customers to pay to achieve this?

Justify your choice.

[16 marks]

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Case study: SSN Ltd (A Level Paper 3, June 2022 insert)

The full case study for Q3 (16 marks), which follows on the next pages. Read it before answering.

Rapid early success

Ten years ago, Bemí Agboola perfected her first commercial cybersecurity system. The innovative software used a totally new approach to protect against hackers' attempts to steal customer data from retailers' e-commerce websites. Though others have produced similar systems, Bemí's business (SSN Ltd) is now well established in the cybersecurity market. The company has branched out into other aspects of cybersecurity by designing and installing tailor-made security systems for large businesses. At the heart of the business remains Bemí's programming – protected, like any piece of software code, by copyright. 5

Bemí has shown a fearless approach to making major decisions quickly. She does not see the need for strategic planning, preferring to seize opportunities as they arise. As a result, SSN Ltd has kept up with the high rate of technological change that characterises the cybersecurity industry. Bemí's approach to decision-making has enabled SSN Ltd to experience a phenomenal growth in sales (**Appendix A**). One consequence of this growth has been the need to expand its workforce. Bemí has hired programmers, administration, marketing and sales teams, many straight from university. From simple beginnings, the business now rents an expensive head office in London and regional offices in New York and Beijing. With over 100 employees across its three offices, Bemí feels it is increasingly hard to monitor what is happening within the business. 10 15

Bemí remains determined to keep increasing the company's share of the highly competitive cybersecurity market and therefore spends heavily on promoting the business and its products. The objective is to raise SSN Ltd's profile among global business leaders who are her potential customers, as a complement to more direct methods of targeting them (see **Appendix B**). 20

Problems emerging

Despite its growth in revenue, the company has always had a very low operating profit margin. Cash flow has been a major problem in the last few months. In the past, SSN Ltd had found it easy to borrow money. Now its bank has stated that it is no longer willing to increase SSN Ltd's overdraft. Part of SSN Ltd's problem has been slow payment from its customers. Bemí is considering the use of debt factoring to improve its cash flow. The debt factor would charge a fee of 5% of any debt that is factored. 25 30

Everybody working for SSN Ltd knows that the business is very much controlled by Bemí. She owns 51% of the shares and makes all major decisions. Managers who want to succeed within the company tend to be those who can anticipate Bemí's wishes and implement her ideas. Within this power culture, Bemí uses a very 'hands-on' approach, taking a keen interest in the work of her programmers. Bemí tries to drop into each office frequently. This is a habit that some managers feel is based on an unwillingness to fully delegate decision-making to them. This has created an environment where some staff expect Bemí to check or even reverse decisions they make. 35

The future

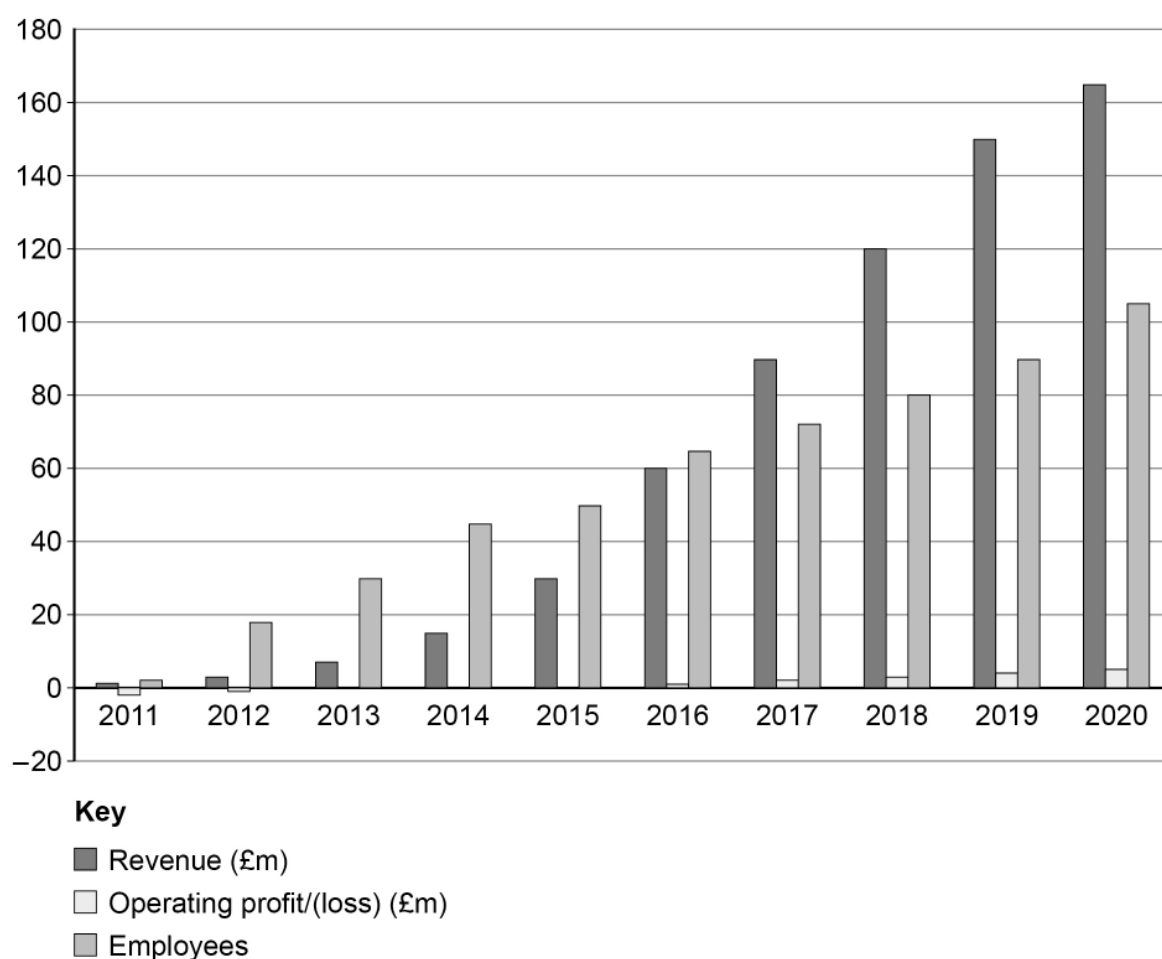
The business media often features stories about SSN Ltd. Its expansion has been exceptional, even in a market which continues to grow rapidly. During the last year, Bemí has been increasingly criticised for the way she has been running the business. 40



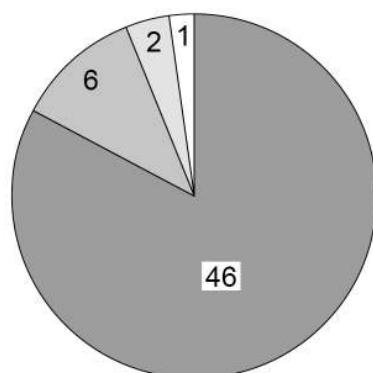
This has centred on what some consider to be excessive risk-taking. In recent days, several sources have suggested that a major competitor is preparing a takeover offer for SSN Ltd. These rumours have suggested that the competitor may be prepared to pay £50m for SSN Ltd, primarily to acquire the copyright to SSN Ltd's software. Analysts say that this competitor is likely to shut down SSN Ltd, terminating the contracts of all staff but preserving the brand name and the software. 45

Detailed examination of SSN Ltd's financial information (**Appendix C**) suggests that the business may be close to failure. 50

Appendix A SSN Ltd historic data



Appendix B SSN Ltd breakdown of 2020 promotional expenditure (£m)



Key

- Sponsorship of sporting and arts events
- Advertising in trade magazines and on websites
- Face to face personal selling
- Direct electronic communications

Appendix C

Table 1 SSN Ltd balance sheet (statement of financial position) as at 31/5/21

	£m
Non-current assets	25
Inventories	0.5
Receivables	16.5
Payables	(18)
Overdraft	(5)
Non-current liabilities	(18)
Net assets	1
Total equity	1



Table 2 SSN Ltd income statement for year ended 31/5/21

	£m
Sales turnover (revenue)	165
Cost of sales	(50)
Expenses	(110)
Operating profit	5
Net finance cost	(4)
Profit for the year	1
Dividends	(3)
Retained profit/(loss)	(2)

END OF SOURCE

This question is based on the case study: SSN Ltd

A Level Paper 3, June 2022 insert. Printed in full on the pages just before this one (from page 173).

< CASE STUDY

8

03

Using information from **Appendix C** and the case study, recommend whether the use of debt factoring is a good way for SSN Ltd to improve its cash flow.

[16 marks]

Do not write
outside the
box



Question 02 · Section A objective test question

Correct answer: C

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



Question 09 · Section A objective test question

Correct answer: A

£27 000

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



Question 04 · Section A objective test question

Correct answer: B

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



Question 15 · Section A objective test question

Correct answer: A

achieve long-term growth

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



Question 09 · 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 07 · Section A objective test question

Correct answer: C

£14m

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2022

0	1	Using the data in Figure 1 , calculate VeganLife Ltd's gross profit for 2020.	[3 marks]
---	---	--	-----------

Marks for this question: AO1 = 1, AO2 = 2

- 3 marks for correct answer £4.25 million
- 2 marks for correct number, but with no £ sign
- 2 marks correctly selects and uses figures but an arithmetical error
- 1 mark if correctly calculates market value to be £7.5 million only
- 1 mark if correct formula, but no other valid calculations

Market share £7.5 million
 $£7.5 - £3.25 = £4.25$ million

Formula; Gross Profit = revenue – costs of sales

Other methods to get to the correct answer are acceptable.

0	2	VeganLife Ltd is considering launching a new range of products for men. Using the information provided in Figure 2 , calculate the break-even output for the proposed new shower gel.	[3 marks]
---	---	---	-----------

Marks for this question: AO1 = 1, AO2 = 2

- 3 marks for correct answer 2500 units/shower gels
- 3 marks for correct answer 2500 on its own
- 2 marks for correct number, but with incorrect units eg £ sign
- 2 marks correctly selects and uses figures but an arithmetical error (OFR)
- 1 mark if Variable/direct costs has been calculated to £0.75 per unit
- 1 mark if calculated contribution per unit to be £6.00
- 1 mark if correct formula, but no other valid calculations
- 1 mark for selecting correct numerator £15,000
- 1 mark for selecting correct denominator £6.00

Correct answer: 2500 units

Formula; Fixed costs/Contribution per unit (selling price-variable/direct costs)

$$\frac{£15\,000}{£6.00} = 2500 \text{ units}$$

Other methods to get to the correct answer are acceptable.



MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2020

0	4	Parkside Theatre faces fluctuating demand for its cinema.
		Analyse why this might make it difficult for Lorna to meet her cash flow objective. [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 are

To analyse the difficulties that fluctuating demand creates for Lorna to meet her cashflow objective

Indicative content may include:

- daily fluctuations create quiet and busy days – impacting on most functional areas – inflows will be higher on some days, but many cash outflows will be fixed.
- average capacity utilisation is running at 68% (OFR as using answer to Q1) less than 70% target if met this may help cash flow
- the business is busier at certain times of year than others
- Lorna's objective is to have positive cashflow
- if staff are contracted/salaried, then they will be busy/not busy from day to day, but these cash outflows will remain the same regardless, but these outflows will remain the same regardless
- when seasonal demand is high – will there be times where cinema is (over) full, could this lead to potential sales not being made losing potential cash inflows?
- Will managers find it more difficult to budget as demand and cash flow is unpredictable?

MARK SCHEME – A-LEVEL BUSINESS – 7132/1 – JUNE 2022

1	9	Analyse why non-profit organisations set financial objectives.	[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 this question are:

- to understand the meaning of non-profit organisations
- to understand the meaning of financial objectives
- to analyse the benefits of financial objectives for a business
- to apply this analysis to non-profit organisations.

Indicative content:

- showing understanding of, or gives example(s) of non-profit organisations
- explaining benefits of objectives, such as giving direction, providing a focus for decision-making, giving a sense of purpose to employees, and providing a yardstick against which actual performance can be measured and judged
- using financial objectives, such as profit (or break-even) and cash flow objectives, in this analysis
- recognising that financial objectives are needed by non-profit making organisations in order to secure their existence. Or pursue their corporate objectives.

Marker's Note: Maximum of 7 marks (low L3) for answers focused only on financial objectives. Accept all relevant arguments.



MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2022

0	6	Emma believes that, in the long term, the profit of VeganLife Ltd is more important than its cash flow position. To what extent is Emma right?	[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 is applied effectively to the context. - 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 and is 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



MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2022

The demands of the question focus on:

- an analysis of the importance of cash and profit to VL in the long term
- a focus on a judgement related to which of the two is MORE important to VL

Indicative content may include:

- As a rapidly growing company that is struggling to keep up with demand, cash is vital to pay suppliers to meet the demand in the short term particularly.
- VL has a history of cash flow problems with some business customers not paying VL on time which affects VL's ability to buy more raw materials to meet demand.
- VL is currently £550,000 overdrawn and face increasing interest rates on this.
- VL is not always offered the option to pay on credit for its supplies, this affects VL's cash flow situation. This could have short term and long term implications re relationships with suppliers.
- One customer has closed down owing VL £350,000, if this happens again can VL survive?
- Making the point that cash is vital to VL's long-term survival in an increasingly competitive market, VL will need to invest in advertising for example if it decides to enter the new market, Emma has considered this in her research and believes the cost to be £50,000 for a new campaign – is this too much of a risk at the moment? How will this impact VL's cash flow position? How will the shareholders react? What is the long term impact of this possible decision?
- Shareholders have always received a dividend and are expecting one this year, VL will need to be profitable to ensure it can pay dividends both in the short term and the long term.
- VL face growing competition from large companies who are likely to have higher profits that can be used for investment and larger cash reserves, these companies may have less cash flow issues than VL. VL will always face competition of this nature; this is a short and long term implication.
- Profit is needed to make investments for the future, any relevant investment ideas to be credited.
- The fact that the market for both toiletries and vegan products is changing and new products are being launched weekly – VL need profit reserves to be able to keep up with competitors.
- The importance of profits to attract future shareholders, particularly important for future investment, may relate this point to the need for £100,000 for the QA system and/or the need for the £50,000 for the online marketing campaign.
- The fact that both are important to VL for different reasons.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.



Question 02 · Section A objective test question

Correct answer: A

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



Question 08 · Section A objective test question

Correct answer: D

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



Question 02 · Section A objective test question

Correct answer: C

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



Question 08 · Section A objective test question

Correct answer: C

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



Question 04 · 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: C

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



Question 02 · 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 05 · 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 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: D

£27 000

(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



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 12 · Section A objective test question

Correct answer: A

(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 05 · Section A objective test question

Correct answer: A

from minus £10m to £30m

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



Question 04 · 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 04 · Section A objective test question

Correct answer: D

an adverse variance of £32 million.

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



Question 06 · Section A objective test question

Correct answer: A

a fall in price and a decrease in fixed costs and an increase in variable costs

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



0	1.	1	Calculate the Gross Profit Margin for G-Free Ltd in 2016.	[2 marks]
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Marks for this question: AO1 = 1, AO2 = 1

2 marks for correct answer 42.16% (42.156%); accept 42.2%; 42.15% and 42%

2 marks for correct number (as above) e.g. no % sign

1 mark correctly selects and uses figures but an arithmetical error

1 mark if correctly defined but no other valid calculations

Correct answer: $GPM\ 2016 = 100 \times \text{Gross Profit} / \text{Turnover}$
 $= 100 \times \text{£}21.5\text{m} / \text{£}51\text{m}$
 $= 42.16\%$

0	1.	2	The Operating Profit Margin for G-Free Ltd is forecast to increase much more than the Gross Profit Margin between 2017 and 2019. Explain why this may be the case.	[4 marks]
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Marks for this question: AO1 = 1, AO2 = 3

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.	2–3
1	Demonstrate some knowledge and understanding but the explanation is limited and lacking application to the context.	1

The focus of the question is on:

- Understanding the difference(s) between GPM and OPM and how this is shown through the changes that have happened in this case, rather than solely the differences in the figures.

Indicative content may include:

- OPM: 5.1% (2017) 15.7% (2019 est.) GPM: 44.2% for both years
- The projected rise in operating profit margin is a major change linked to expenses reducing from £21.3m to £18.7m linked to forecasted gains from the planned lean production system / greater capital intensity / reduction in staff numbers.
- Turnover is forecast to rise from £54.5m to £65.6m, at the same time Operating Profit rises from £2.8m to £10.3m

MARK SCHEME – A-LEVEL BUSINESS – 7132/2 – JUNE 2021

0	2	1	Calculate the Gross Profit Margin for <i>Speckles</i> in 2020.	[2 marks]
---	---	---	--	-----------

Marks for this question: AO1 = 1, AO2 = 1

$$\text{Gross Profit Margin} = \left(\frac{\text{Gross Profit}}{\text{Sales Revenue}} \right) \times 100$$

$$= \left(\frac{4}{20} \right) \times 100 \quad \text{OR} \quad \left(\frac{4\,000}{20\,000} \right) \times 100$$

$$= 20\%$$

2 marks for correct answer **20%**

1 mark for stating of formulae but no valid calculation.

1 mark for partial calculation or incorrect calculation e.g. wrong year

0	2	2	Analyse how Bell Ltd's cash flow is improved by the way it manages its payables and receivables.	[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 are:

- to explain the relationship between payables, receivables and the cash flow of Bell Ltd.

MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2018

1	2	<i>Shown below is a cash flow forecast for a business.</i>		
			2018 £	2019 £
		Opening balance	(50 000)	
		Cash inflows	80 000	120 000
		Cash outflows	70 000	180 000
		Closing balance	(40 000)	
		<i>Calculate the closing balance of the business in 2019.</i>		
		[3 marks]		

AO1 = 1 and AO2 = 2Opening balance for 2019 is (£40 000) **1 mark**Net cash flow is (£120 000 - £180 000) = (£60 000) **1 mark**Closing balance is (£40 000) + (£60 000) = (£100 000) **1 mark****further guidance:**

- use own figure rule (OFR)
- award a mark of 2 for an answer of £100 000 with no indication that it is a negative value
- award a mark of 2 for an answer of £20 000... (40 000) + 60 000
- award a mark of 2 for an answer of (£20 000)... 40 000 + (60 000)



MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2018

0	1	Use Figure 2 to calculate how many overnight stays were required for HS to break-even in 2017.
		[3 marks]

Marks for this question: AO1 = 1, AO2 = 2

3 marks for correct answer of 66667

2 mark correctly selects and uses figures but an arithmetical error

1 mark if correctly defined but no other valid calculations

Correct answer:

$$\begin{aligned}
 & \frac{\text{Fixed Costs}}{\text{Contribution per unit (1)}} \\
 &= \frac{1\,300\,000}{(25.00 - 5.50)} \\
 &= \frac{1\,300\,000}{19.50} \\
 &= 66\,666.67 \\
 &= 66\,667 \text{ stays to break even (1)}
 \end{aligned}$$

0	2	Use Figure 2 to calculate the profit made by HS from hostels in 2017.
		[3 marks]

Marks for this question: AO1 = 1, AO2 = 2

3 marks for correct answer of £143000

2 marks correctly selects and uses figures, but an arithmetical error, eg revenue and costs correct but subtracted incorrectly

1 mark if profit correctly defined but no valid calculations

Correct answer:

Profit = Revenue – Total Costs

2017: Revenue = 74 000 x 25.00 = £1 850 000

Total Costs = 1 300 000 + (5.50 x 74 000) = £1 707 000

Profit = £143 000

Contribution per stay = £19.50 (£25-£5.50)

£19.50 x 74,000 = £1,443,000 (total contribution)

£1,443,000 - £1,300,000 (f.costs) = £143,000

Other methods to get to correct answer are acceptable.

MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2022

0	1	Using the data in Figure 1 , calculate VeganLife Ltd's gross profit for 2020.	[3 marks]
---	---	--	-----------

Marks for this question: AO1 = 1, AO2 = 2

- 3 marks for correct answer £4.25 million
- 2 marks for correct number, but with no £ sign
- 2 marks correctly selects and uses figures but an arithmetical error
- 1 mark if correctly calculates market value to be £7.5 million only
- 1 mark if correct formula, but no other valid calculations

Market share £7.5 million
 $£7.5 - £3.25 = £4.25$ million

Formula; Gross Profit = revenue – costs of sales

Other methods to get to the correct answer are acceptable.

0	2	VeganLife Ltd is considering launching a new range of products for men.	
		Using the information provided in Figure 2 , calculate the break-even output for the proposed new shower gel.	[3 marks]

Marks for this question: AO1 = 1, AO2 = 2

- 3 marks for correct answer 2500 units/shower gels
- 3 marks for correct answer 2500 on its own
- 2 marks for correct number, but with incorrect units eg £ sign
- 2 marks correctly selects and uses figures but an arithmetical error (OFR)
- 1 mark if Variable/direct costs has been calculated to £0.75 per unit
- 1 mark if calculated contribution per unit to be £6.00
- 1 mark if correct formula, but no other valid calculations
- 1 mark for selecting correct numerator £15,000
- 1 mark for selecting correct denominator £6.00

Correct answer: 2500 units

Formula; Fixed costs/Contribution per unit (selling price-variable/direct costs)

$$\frac{£15\,000}{£6.00} = 2500 \text{ units}$$

Other methods to get to the correct answer are acceptable.



MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2023

Section B

Total for this section: 20 marks

1

1

The following data applies to a business.

Price of product	£5
Variable cost per unit	£3
Fixed costs	£30 000
Number of sales of product	22 000

Calculate the margin of safety for the business.

Marks for this question: AO1 = 2 and AO2 = 1

The demands of the question are:

- calculate the margin of safety for the given example.

Indicative content:

Answer = 7 000 units **(3 marks)**

Broken down as follows:

$$\frac{£30\,000}{(£5 - £3)} \quad \textbf{(1 mark)}$$

$$= 15\,000 \quad \textbf{(2 marks)}$$

$$22\,000 - 15\,000 = 7\,000 \text{ units} \quad \textbf{(3 marks)}$$

NB// if no valid calculation(s): award a maximum of 1 mark for K/U of margin of safety

Own figure rule can be applied.

Alternative methods can be credited.



MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2023

0	2	Figure 2: BB financial data for 3000 units	
			3000 units sold
		Total revenue	£105 000
		Total fixed costs	£5 700
		Total variable costs	£17 250
Using Figure 2 , calculate the total contribution if BB only sells 1000 units .			
[3 marks]			

Marks for this question: AO1 = 1, AO2 = 2

3 marks for correct answer £29 250 total contribution. £ not needed.

2 marks correctly selects and uses figures but an arithmetical error.

2 marks if calculated contribution per unit to be £29.25.

2 marks if calculated correct variable costs and revenue, uses the figures to subtract, but makes arithmetical error

1 mark if calculates one of the following:

variable/direct costs has been calculated to £5.75 per unit, or £5750 total variable/direct costs

selling price per unit to be £35, or £35,000 as total revenue

1 mark if correct formula, but no other valid calculations.

Correct answer: £29 250 total contribution.

Formulas that may be used:

contribution per unit × number of units sold

or

$$\frac{\text{fixed costs}}{\text{contribution per unit (selling price – variable cost per unit)}}$$

or

TR – TVC

$$\frac{£105\,000}{3\,000} = £35 \text{ selling price per unit}$$

$$\frac{£17\,250}{3\,000} = £5.75 \text{ variable cost per unit}$$

$$£35 - 5.75 = £29.25 \text{ Contribution per unit}$$

$$£29.25 \times 1\,000 \text{ units} = £29\,250$$

MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2024

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

[3 marks]**Marks for this question: AO1 = 1, AO2 = 2****3 marks** for correct answer that margin of safety is 1700.**2 marks** if student has stated the margin of safety figure correctly but uses £ or %.**1 mark** for calculating contribution per unit as £200 only.**1 mark** for calculating break-even output as 150 only.**1 mark** if correct formula for margin of safety stated, but no other valid calculations.

Correct answer:

margin of safety = actual units sold – break-even output

$$1850 - 150 = 1700$$

To calculate break-even:

$$\frac{\text{Fixed costs}}{\text{contribution per unit} \frac{\text{selling price} - \text{variable direct costs}}{\text{direct costs}}}$$

$$£342 - £142 = £200 \text{ contribution per unit}$$

$$\frac{£30\,000}{(£342 - £142)} = 150$$



MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2025

0	2	Using the data in Figure 1 , calculate the gross profit margin in 2024.
---	---	--

[3 marks]**Marks for this question: AO1 = 1, AO2 = 2**

Correct answer: 26.52%

3 marks for correct answer 26.52%, accept 26%, 26.5% or 27%**2 marks** for correctly selecting and using correct figures**1 mark** for correctly calculating gross profit as £1.83 million

Workings:

Gross profit = revenue – cost of sales

£6 900 000 – £5 070 000 = £1 830 000

$$\frac{£1\,830\,000}{£6\,900\,000} \times 100 = 26.52\%$$

If no creditworthy calculation, award 1 mark for correct formula for calculating gross profit

Other methods to get to the correct answer are acceptable.



MARK SCHEME – A-LEVEL BUSINESS – 7132/2 – JUNE 2024

0	1	2	Using the information provided, explain one reason why Biggs Ltd's gross profit margin for 2023 fell to 46.9%.
			[3 marks]

Marks for this question: AO1 = 1, AO2 = 2

Level	The student will typically demonstrate:	Marks
3	A good response overall that focuses on many of the demands of the question. Explains one reason why gross profit margin has fallen.	3
2	A reasonable response overall that focuses on some of the demands of the question. Explanation of why gross profit margin has fallen, with little use of context.	2
1	A limited response overall that focuses on a few demands of the question. Some understanding of gross profit margin.	1

The demands of the question are:

- to identify a potential influence on the gross profit margin
- to explain how that factor will reduce Biggs Ltd's gross profit margin.

Indicative content:

- revenue has increased, but gross profit has fallen, therefore cost of sales must have increased by a greater proportion
- cost of sales has increased due to falling labour productivity, higher potato prices or some other relevant cost.

Accept all relevant arguments.

MARK SCHEME – A-LEVEL BUSINESS – 7132/2 – JUNE 2025

0	1	1	The data in Appendix A assumed all customers would make immediate payments. With effect from 1 November, customers will be given one month's credit. Calculate SCF's closing balance for November, assuming all customers take advantage of the new payment terms. [3 marks]
----------	----------	----------	--

Marks for this question: AO1 = 2, AO2 = 1

Correct answer: £1 080 000 (3 marks)

An amended cash flow forecast for November could be as follows:

	November (£m)
Total inflows	0
Total outflows	3.22
Net cash flow	(3.22)
Opening balance	4.30
Closing balance	1.08

Allow a maximum of 2 marks for the following (which may be identified via an amended cash flow forecast) if no correct answer:

1 mark for identification of impact on inflows/net cash flow/closing balance for November
= fall by £3.35m

1 mark for identification of November's opening balance = £4.30m

Section B**total for this section: 20 marks**

1	1	Calculate the operating profit variance and state whether it is adverse or favourable.
		[4 marks]

Marks for this question: AO1 = 2 and AO2 = 2**answer is 1.2 adverse (4 marks)**

broken down as:

budgeted figures $3.5 - (1.3 + 1.4) = 0.8$ profit (1 mark)actual figures $2.3 - (1.2 + 1.5) = 0.4$ loss (1 mark)variance is $0.8 - (0.4) = 1.2$ (1 mark)

adverse (1 mark)

further guidance:

- award a maximum of 1 mark for an understanding of variance if no valid calculation is offered – such an understanding might be demonstrated by the application of OFR to an incorrect calculation
- award a maximum of 3 marks for a calculation based on gross profit – based on OFR answer is **1.1 adverse (3 marks)** broken down as follows:

budgeted: $3.5 - 1.3 = 2.2$ profitactual: $2.3 - 1.2 = 1.1$ profit (1 mark for both)

variance is 1.1 (1 mark)

adverse (1 mark)

0	1.	1	Calculate the Gross Profit Margin for G-Free Ltd in 2016.	
				[2 marks]

Marks for this question: AO1 = 1, AO2 = 1

2 marks for correct answer 42.16% (42.156%); accept 42.2%; 42.15% and 42%

2 marks for correct number (as above) e.g. no % sign

1 mark correctly selects and uses figures but an arithmetical error

1 mark if correctly defined but no other valid calculations

Correct answer: $GPM\ 2016 = 100 \times \text{Gross Profit} / \text{Turnover}$
 $= 100 \times \text{£}21.5\text{m} / \text{£}51\text{m}$
 $= 42.16\%$

0	1.	2	The Operating Profit Margin for G-Free Ltd is forecast to increase much more than the Gross Profit Margin between 2017 and 2019. Explain why this may be the case.	
				[4 marks]

Marks for this question: AO1 = 1, AO2 = 3

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.	2–3
1	Demonstrate some knowledge and understanding but the explanation is limited and lacking application to the context.	1

The focus of the question is on:

- Understanding the difference(s) between GPM and OPM and how this is shown through the changes that have happened in this case, rather than solely the differences in the figures.

Indicative content may include:

- OPM: 5.1% (2017) 15.7% (2019 est.) GPM: 44.2% for both years
- The projected rise in operating profit margin is a major change linked to expenses reducing from £21.3m to £18.7m linked to forecasted gains from the planned lean production system / greater capital intensity / reduction in staff numbers.
- Turnover is forecast to rise from £54.5m to £65.6m, at the same time Operating Profit rises from £2.8m to £10.3m

MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2019

1	3	The following data applies to a business: • break-even output = 500 units • fixed costs = £30 000 • variable cost per unit = £30. The business is currently operating at its break-even output. Calculate its selling price. Show your workings. [4 marks]
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Marks for this question: AO1 = 2 and AO2 = 2

Examples of how assessment objectives might be met in this question include:

- demonstrate knowledge and understanding of relevant issues such as variable cost per unit (AO1)
- be applied to the context of the data provided (AO2)
- **answer = £90 (4 marks)**

broken down as follows:

CPU approach	b/e approach	marks
b/e output (500) = FC 30000 / CPU	TVC = 15 000 (500 x 30)	1
at 500 units needs total contr of 30 000	TC = 45 000 (30 000 + 15 000)	2
so CPU is 60	so TR = 45 000 (TC = TR)	3
CPU (60) = price – VC (30) = 90	TR (45 000) = price x output (500) so price = 45000 / 500 = 90	4

please note:

- alternative methods may be credited
- if no valid calculation(s): award a maximum of 1 mark for K/U of break-even OR contribution
- TVC of £15 000 = 1 mark
- TC of £45 000 = 2 marks

MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2019

0	1	Using Figure 1 , calculate the percentage change of UK clothing sales from 2015 to 2016? [3 marks]
---	---	--

Marks for this question: AO1 = 1, AO2 = 2

3 marks for correct answer - 3.7% or 3.7% decrease

2 marks for correct number, but with no minus sign

2 marks correctly selects and uses figures but an arithmetical error

1 mark for calculating the fall (- 4)

Max 2 marks if calculate correct figure but for USA (+ 6.4%)

1 mark if correct formula, but no other valid calculations

Correct answer:

$$104 - 108 = \text{fall of } -4$$

$$(-4 / 108) \times 100$$

$$= -3.703\%$$

$$= -3.7\%$$

0	2	The budgeted profit for Rana Fashion in 2018 was £2 946 000. Using the data below, calculate the profit variance for Rana Fashion in 2018. State whether it is adverse or favourable. [4 marks]
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Marks for this question: AO1 = 2, AO2 = 2

4 marks for correct answer of £322 000 Adverse:

T Costs £2 976 000 (**1 mark**); Profit £2 624 000 (**1 mark**); Variance £322 000 (**1 mark**)

'Adverse' (with supported calculations) (**1 mark**)

3 marks for correct answer £322 000, but no statement or incorrect statement

1 mark if budgeted profit correctly defined but no valid calculations

	Actual	
Sales Revenue	£5 600 000	
Costs:		
Inventory	£2 300 000	
Warehousing	£200 000	
Distribution	£126 000	
I.T.	£170 000	
Other	£180 000	
Total Costs	£2 976 000	
Profit	£2 624 000	£322 000 Adverse

Note: OFR applies throughout e.g. follow the workings and award each stage



MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2020

1	4	A business budgeted its labour costs to be £4 million for 2019. It recorded an adverse variance of £2 million on this budget. Explain one action the business managers might take in these circumstances.
		[4 marks]

Marks for this question: 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

The demands of the question are:

- explain one action a business might take when labour costs rise adversely.

Indicative content:

- as the labour cost has created an adverse variance there is a need for the business to manage its staff wages through renegotiation of contracts or redundancy. The costs need to be reduced if sales revenues are not increasing to improve profits
- a firm may be able to increase its labour productivity as costs of labour are higher to try and increase the production levels, which in turn may increase sales revenue and profits
- managers would need to investigate the cause of this variance and then take action to resolve it. It may be due to labour costs rising because of larger production and poor budget setting for example.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.



MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2023

1	4	Explain one benefit to a newly established business of producing a budget.	[4 marks]
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Marks for this question: 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 response that is explained using knowledge and understanding and is applied to the context.	2–3
1	Demonstrates some knowledge and understanding but the explanation is limited and lacking application to the context.	1

The demands of the question are:

- explain one benefit of using a budget in a newly established business.

Indicative content:

- the construction of a budget for costs will allow the newly established business to control the spending on expenditure so that the costs do not spiral out of control. This allows planning for the expected amount to be spent and ensures that, if accurate, the business does not overspend on materials and can keep costs down. This is particularly important to a newly established business who may find it hard when starting out to keep costs under control
- constructing a budget will allow the business to monitor performance in the early stages for a newly established business. By keeping a close eye on the spending and sales compared to target, the business is able to analyse the success against expectations and take remedial action. The newly established business is then more likely to survive the early stages of starting out
- a business may use the budget to establish priorities within the business for areas that they need to ensure are resourced well. The business focus, for example, may lead to more being budgeted for market research or product advertising. Newly established businesses can focus on areas that will allow them to survive
- a budget allows a newly established business to plan for the amount of sales made. This allows planning for the expected number of products sold and planning for the production levels that might be required. If the prediction is accurate there should be less wasted materials and better meeting of demand, making the firm more efficient.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.



MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2024

1 3

The following data applies to a business.

Selling price per unit	£5
Output	9000 units
Variable cost of each unit	£2
Expenses	£20 000

Calculate the operating profit margin (profit from operations margin) for the business.

[4 marks]**Marks for this question: AO1 = 2 and AO2 = 2****The demands of the question are:**

- calculate the operating profit margin (profit from operations margin) in the given example.

Indicative content:For correct answer = **15.5% (4 marks)****NB: accept an answer within the range of 15.5 to 15.6**

Broken down as follows:

Revenue = £5 × 9000 units = £45 000 (**1 mark**)Total variable costs = £2 × 9000 units = £18 000 (**1 mark**)Operating profit (profit for operations) = £45 000 – £20 000 – £18 000 = £7000 (**1 mark**)Operating profit margin (profit from operations margin) = $\left(\frac{£7\,000}{£45\,000} \right) \times 100 = 15.5\%$

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

MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2025

1	2	The following data applied to a business in 2024.						
<table border="1"> <thead> <tr> <th>Total contribution (£)</th><th>Fixed costs (£)</th><th>Sales (units)</th></tr> </thead> <tbody> <tr> <td>168 000</td><td>127 200</td><td>350</td></tr> </tbody> </table>			Total contribution (£)	Fixed costs (£)	Sales (units)	168 000	127 200	350
Total contribution (£)	Fixed costs (£)	Sales (units)						
168 000	127 200	350						
Calculate the business' margin of safety for 2024.								
[4 marks]								

Marks for this question: AO1 = 2 and AO2 = 2

The demands of the question are:

- calculate the business' margin of safety.

Indicative content:

Correct answer = 85 (units) **4 marks**

Broken down as follows:

Contribution per unit: $\frac{£168\,000}{350} = £480$ **(1 mark)**

Break even output = $\frac{£127\,200}{480}$ **(1 mark)** = 265 units **(1 mark)**

Margin of safety = $350 - 265 = 85$ units **(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 for margin of safety)

alternative methods can be credited

own figure rule can be applied



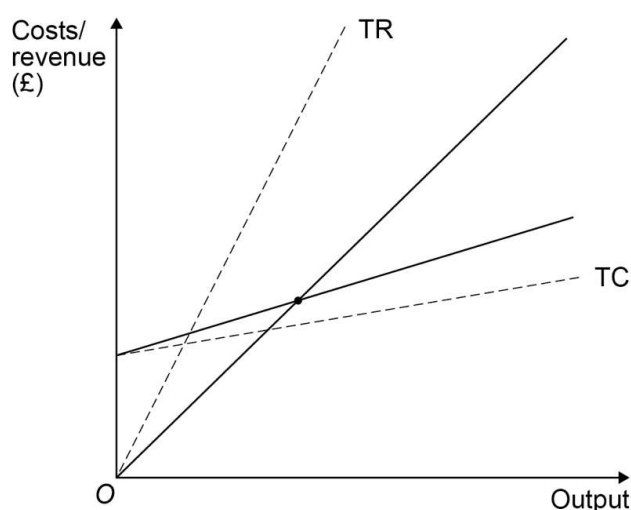
MARK SCHEME – A-LEVEL BUSINESS – 7132/1 – JUNE 2019

Section B

1	6	Two changes take place: • there is a fall in the cost of raw materials • the business increases the selling price of the product. Draw two new lines on Figure 3 to show how these changes might affect the break-even chart. Label the new total revenue line TR and label the new total cost line TC. [4 marks]
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Marks for this question: AO1 = 2 and AO2 = 2

Answer = *See example lines in Figure 3 (4 marks)*



Broken down as follows:

TR line starts at the origin and is labelled TR (1 mark)

TR line slopes upwards more steeply than the original TR line (1 mark)

TC line starts at the same point as the original TC line and is labelled TC (1 mark)

TC line slopes upwards less steeply than the original TC line (1 mark)

MARK SCHEME – A-LEVEL BUSINESS – 7132/1 – JUNE 2020

Section B

1	6	Calculate the profit variance and state whether it is adverse or favourable.	[4 marks]
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Marks for this question: AO1 = 1 and AO2 = 3

Answer = £11 million - Adverse (4 marks)

Accept –£11m or (£11m) (4 marks)

£11m or £11m - favourable (3 marks)

Broken down as follows:

Actual income = $80 \times 0.95 = 76$ (1 mark)

Actual expenditure = $70 \times 1.1 = 77$ (1 mark)

Budgeted profit = $80 - 70 = 10$ AND Actual profit = $76 - 77 = -1$ (1 mark)

Budget variance = $-1 - 10 = \text{Adverse (or minus) } 11$, ie £11m (1 mark)

OR

Actual income = $80 \times 0.95 = 76$ Variance = Adverse 4 (2 marks)

Actual expenditure = $70 \times 1.1 = 77$ Variance = Adverse 7 (1 mark)

Overall variance = Adv 7 + Adv 4 = Adverse 11, ie £11m (1 mark)

Credit other relevant approaches. OFR applies.

MARK SCHEME – A-LEVEL BUSINESS – 7132/1 – JUNE 2024

Section B

1	6	The data below applies to Product X. Fixed costs = £8000 Selling price = £10 Variable costs per unit = £6 Total contribution from current level of output = £10 000 Calculate the margin of safety for Product X at its current level of output. Show your workings. [4 marks]
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Marks for this question: AO1 = 1 and AO2 = 3

Answer = 500 units or 500 (4 marks)

NB. For £500 (3 marks) (as the £ sign shows that there is a misunderstanding)

4 marks broken down as follows:

Award 1 mark if one minor error in a calculation below (OFR).

$$^{\wedge} \text{ current level of output} = \frac{\text{total contribution}}{\text{contribution per unit}}$$

$$= \frac{£10\,000}{(£10 - £6 = £4)^*} = 2500 \text{ units}$$

$$^{\wedge\wedge} \text{ break-even output} = \frac{\text{fixed costs}}{\text{contribution per unit}}$$

$$= \frac{£8000}{(£10 - £6 = £4)^*} = 2000 \text{ units}$$

$$^{\wedge\wedge\wedge} \text{ margin of safety} = \text{current output} - \text{break-even output}$$

$$= 2500 - 2000 = 500 \text{ units (accept 500)}$$

^ Award 2 marks for correct calculation of EITHER current level of output OR break-even output.

^ Award 3rd mark for correct calculation of the other output figure.

Award 1 mark (4th mark) for subtracting break-even output from current level of output.

NB. * Award 1 mark if no correct output calculated but contribution per unit is calculated correctly.

NB. OFR applies if method is valid but arithmetic error occurs.

^ If no creditworthy calculation, **award up to 1 mark** for correct formula for **EITHER** current level of output (see above **^**) **OR** break-even output (see above **^^**) **OR** margin of safety (see above **^^^**).



MARK SCHEME – A-LEVEL BUSINESS STUDIES – 7132/2 – JUNE 2018

0	3	.	1	<i>GA is considering cutting the price of its tickets. Explain how this might increase its operating profit margin on each ticket sold.</i>
[5 marks]				

Marks for this question: AO1 = 1, 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 a good explanation of relevant factors using knowledge and understanding applied to the context.	4-5
2	A reasonable response overall that focuses on some of the demands of the question. Provides a reasonable explanation of relevant factors using knowledge and understanding with some application to context.	2-3
1	A limited response overall with little focus on the demands of the question. Demonstrate some knowledge and understanding and identifies relevant factors with little application to context.	1

Demands of the question:

- explaining how a price cut on tickets can increase the operating profit margin on tickets. (Note it is operating profit margin not operating profit).

Answers may include:

- lower price may boost demand and sales. With more sales the fixed costs can be spread over more passengers. This reduces the unit cost
- with lower unit costs the operating profit margin (profit/sales revenue) might increase despite the lower price.

Level 3: clear logical link between lower price and impact on operating profit margin 5-4 marks

Level 2: some link between lower price or lower costs and operating profit margin 3-2 marks

Level 1: some understanding of effect of lower price 1 mark

Credit other valid lines of explanation.



MARK SCHEME – A-LEVEL BUSINESS – 7132/1 – JUNE 2017

1	9	Explain how the use of break-even analysis might help an entrepreneur make decisions about the start-up of a new business.
		[6 marks]

Marks for this question: AO1 = 2, AO2 = 2 and AO3 = 2

Level	The student will typically demonstrate:	Marks
3	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	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	provides an answer to the question set that : - demonstrates a limited knowledge and understanding of issues in the question - identifies relevant issues with little application to the context.	1–2

The focus of the question is on:

the context of an entrepreneur and how break-even analysis might help him/her make decisions about a start up

Indicative Content

Possible ways in which break-even analysis might help a new business:

- to enable the entrepreneur to see the level of output needed to make a profit. This can help the entrepreneur to see if the business is financially viable
- to assist the production of a business plan. This may be crucial in gaining financial support from organisations such as banks or potential shareholders and investors
- to facilitate the use of 'what if?' analysis to show different break-even outputs arising from different costs and prices
- break-even analysis may prevent an expensive mistake for the entrepreneur by showing him or her that the business is unlikely to succeed

Context is start-up business.



	descriptive application to the context.	
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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



	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.	
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 focus / demands of the question:

- Explaining why AC Ltd is in a weak financial position using the information in Table 1 (e.g. its profits, debt or liquidity). Identifying two (or more) financial weaknesses of AC Ltd from Table 1 and developing logical chains of reasoning as to why these weaknesses may be of concern to AC Ltd.

further guidance:

- L1: likely to just identify financial problems / weaknesses from table 1
- L2: likely to offer some explanation of the consequences / impact of these problems / weaknesses in general
- L3: arguments (plural) focused on why weaknesses represent a problem / challenge for **this business**

Indicative content may include:

- It is waiting 90 days to be paid by customers (to win business) but paying its suppliers in 21 days (because it is a small and new business; this is bad for cash flow and liquidity)
- £100,000 of its £150,000 long terms funds is from debt and therefore it may be vulnerable to interest rate changes; already paying 5.5% on this loan which is £5,500 pa so adding to costs
- Profit last year = $(8000 \times £25) - £207,000 = -£7000$; making a loss; may not be surprising early in the life of a business but ideally would be profitable.
- Financial target to break even (b/e output is 8280 customers) but falling short by 280 customers
- Overdraft of £35 000 exceeds short term borrowings from bank target of £25 000



MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2022

Section C

16	.	1	With reference to Table 1 , analyse the causes of the changes in the profit margins for Rockall Ltd between 2019 and 2020.
			[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 **causes** of the changes in the profit margins for Rockall between 2019 and 2020
- further guidance:
 - a L3 response should consider the changes in both profit margins (gross and operating)
 - a response that considers just one of the profit margins can achieve a maximum of 6 marks (L2)

Indicative content:

- Gross profit margins have risen by 5% which are likely to have increased due to the savings made in the raw material costs due to buying in larger quantities. With higher sales volumes Rockall's have gained greater purchasing discounts or therefore raised gross profit margins.
- Gross profit margins may have risen due to the introduction of lean production techniques leading to greater efficiencies and reducing materials costs and hence increase gross profits. It is possible that lean production techniques being introduced may have also required some additional training and overhead costs however which may have increased the fixed costs and therefore operating profits too.



MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2022

- The operating profit margin has fallen by 7% and this is likely to be due to the fact that more is being spent on management staff. The staff who have been employed in the middle management will add to fixed costs and reduce operating profit margins.
- The operating profit margin is also likely to have been negatively affected by the move to larger rented head office. The increased rental costs will increase fixed costs and as a result reduce the operating profit margin.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2023

0	5	Analyse the impact on BB's financial performance if it decides to take the contract with the hotel.
		[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 the financial performance of BB if it takes the contract with the hotel.

Indicative content may include:

- regular income for a sustained period of time, lots of change could happen within the market over this period so a regular contract would provide financial stability and would cover the fixed costs, it could lead to further contracts if done well and it ties BB into a longer-term contract
- the contract could impact the breakeven point and lower this
- the contract focuses on the core business of making balloons which BB is good at, therefore, BB is not risking financial investment into other things
- price agreed is fixed but a competitive rate, this is a steady and reliable income stream for BB
- opportunity cost of BB's time; could BB be making more profit by doing more one-off sales?
- it is unclear what may happen in the future for example; supplies/materials may increase in price. This could have a negative financial impact as BB will be tied in to a fixed price with the hotel.

MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2025

0	5	Analyse the impact on Hoods Ltd if Habib decides to delegate control of budgets to the site managers.	[9 marks]
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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 the impacts.
- if Habib delegates control of budgets to site managers.
- Hoods Ltd.

Indicative content may include:

- this may allow for quicker decision making as the managers no longer have to run budget related decisions past Habi
- the site managers are running their factories so should know the finances of these factories very well. This means they are likely to make better decisions relating to their factory sites.
- delegating the responsibility may be seen as a reward and viewed positively by the site managers and they may be motivated by this decision and therefore productivity may increase for Hoods Ltd.
- the site managers regularly complain that they are not trusted to make decisions for their sites. By allowing managers to have control of their own budgets, this may satisfy the site managers that have previously complained.



MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2025

delegating the budgets may be seen by the site managers as an increase in workload and the managers may react negatively to the change

- an impact of this decision on Hoods Ltd could be an increase in training costs. If site managers have not had control of the factory budgets before then they are likely to need training to manage budgets.
- there is a risk in allowing the site managers to control their own budgets. The sit managers may make mistakes with the budgets, resulting in Habib having more work to do.
- There may be a positive impact on Habib as his workload will decrease and he can focus on other aspects of Hoods Ltd.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

MARK SCHEME – A-LEVEL BUSINESS – 7132/3 – JUNE 2019

0	1	Analyse two possible reasons why Mike introduced a budgeting system for DWS Ltd in 1991.
		[12 marks]

Marks for this question: AO1 = 3, AO2 = 3 and 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 this question are:

- two reasons for introducing a budgeting system
- how the system helped address the issues faced in 1991.

Indicative content:

- he was busy finding new customers – system allows delegation of spending power – so Mike can focus on gaining new customers and inspiring his staff
- needed to build a management team – the delegation allows genuine decision-making power to be passed to his management team – motivating them
- offers control over costs – especially helpful for a young business which may lack financial resources – money was tight.

Further guidance

Approaches are likely to be:

Good: Effective linking of how budgeting might have helped to overcome issues faced by DWS Ltd from 1989-1991 (For ONE reason well-developed - bottom of this level)

Reasonable: Argument(s) for introducing budgets, which do not explain HOW this would help overcome issues faced

Limited: reason(s) for introducing budgeting explained



MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2024

0	6	Using Figure 2 and the case study, evaluate whether the managers of PE Ltd should be concerned about its financial position.
		[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.	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 is 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 and is 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 and with 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



MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2024

The demands of the question focus on:

- analysing the financial position of PE
- using the case study and **Figure 2**
- to make a judgement about whether the managers should be concerned about the financial position of PE Ltd.

Indicative content may include:

- from **Figure 2** the monthly fixed costs increase from £21 000 in 2021 to £30 000 in 2023
- the variable costs per unit have increased over the period from £102 to £142
- the overdraft balance has increased, it could be argued that this is a significant increase over three years and the managers should be concerned by this
- retained profit has reduced. This impacts how financially secure they are in the future and could have an impact on their ability to borrow more money from a bank
- receivables have increased, could these be utilised more effectively? For example, could debt factoring be considered or a change to their credit terms and conditions?
- selling price per unit has increased, this would need to be compared to competitors to know if this was industry average, above or below average for this market
- there is an increase in the units sold over the period; 800 to 1850, this shows a good position for the business
- PE Ltd are moving into a new market which may be financially successful
- Overall, the data in **Figure 2** shows a worsening financial position for PE Ltd and the managers should be worried

Question 05 · Section A objective test question

Correct answer: A

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



Question 01 · Section A objective test question

Correct answer: B

an external source of short-term finance.

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



Question 01 · Section A objective test question

Correct answer: B

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



MARK SCHEME – A-LEVEL BUSINESS – 7132/2 – JUNE 2020

0	3	1	What is meant by venture capital?	[2 marks]
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Marks for this question: AO1 = 2

Venture capital is a form of financing typically provided to small, start up or growing businesses that are potentially high risk but have high growth potential.

2 marks clear understanding.

1 mark some understanding.

0	3	2	Explain one reason why Zani PLC's shareholders wanted to change the power culture at the company.	[5 marks]
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Marks for this question: AO1 = 2, AO2 = 3

Level	The student will typically demonstrate:	Marks
3	A good response overall that focuses on many of the demands of the question. eg explain one reason why Zani's shareholders wanted to change the power culture.	4–5
2	A reasonable response overall that focuses on some of the demands of the question. eg explains one problem of power culture.	2–3
1	A limited response that focuses on few demands of the questions. eg shows understanding of power culture.	1

The demands of the question:

- to explain one reason why Zani's shareholders wanted to change the power culture.

Indicative content/Answers may include:

- a power culture occurs when there is a large focus on those at the centre of the organisation - they are seen as key decision makers
- the shareholders wanted to change because it limits growth because there is more pressure on those at the centre to make decisions; they can struggle to make decisions quickly as more decisions are required. This can delay decision making. In this case Ted may have wanted to keep control himself but that becomes increasingly difficult as the business grows and he would need to delegate to others.
- shareholders might want this to lead to greater returns in terms of dividends or share price/value.

Accept other relevant answers.



MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2020

1	3	A family-owned private limited company is planning an expansion.
		Explain one disadvantage to the shareholders of this business of selling shares to finance this expansion.
		[4 marks]

Marks for this question: 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.	2–3
1	Demonstrates some knowledge and understanding but the explanation is limited and lacking application to the context.	1

The demands of the question are:

- explain one disadvantage of selling shares to raise finance to a family-owned private limited company.

Indicative content:

- selling shares as a method of raising finance is likely to mean that you have new owners being involved who could take some of the control of the business, in a family-run business this could lead to loss of tradition and arguments and disputes within the family
- selling shares as a method of raising finance could dilute the ownership of those already involved in the business and devalue their share.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2018

1	5	<i>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.</i>
		[6 marks]

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 descriptive application to the context.	1–2



MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2018

The demands of the question focus on:

- explaining why venture capital might be better than a loan
- for Mae.

Indicative content:

- high risk proposal at this stage with no track record; venture capitalists are willing to take more risks than banks
- she is unlikely to have much collateral having just left school; banks will often want collateral for a loan
- venture capitalist may have expertise, contacts and a network that can help Mae when starting up.

Approaches likely to be:

- good response: explains why venture capital may be better than a bank loan in this context 6-5 marks
- reasonable response: explains benefits or disadvantages of venture capital and / or bank loans 4 -3 marks
- limited response: identifies relevant points 2-1 marks.



MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2018

Section C: Data Response**Total for this section = 50 marks**

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 Oldhams' model.
			[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 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



2	1	Use the data in Figure 5 to explain how the use of debt factoring would benefit ABC Ltd.
		[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 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:

how debt factoring would benefit ABC Ltd given the data provided.

Indicative content may include:

- figure 5 shows similar, but improving, levels of liquidity overall (net current assets are rising slightly)
- BUT, cash holdings have fallen by £400,000 over two years and are now zero
- the data shows that short-term finance is needed to increase holdings of cash
- receivables have increased by £390,000. This is the main cause of the cash shortage as current assets are mainly in the form of receivables rather than cash
- debt factoring will enable the firm to collect debts very quickly from a factoring company, thus eliminating receivables and replacing them with cash
- debt factoring is specifically geared towards this type of problem, because the primary cause of the low cash holding has been the increase in receivables

MARK SCHEME – A-LEVEL BUSINESS – 7132/1 – JUNE 2019

1	9	To fund a new project, a business increases the proportion of its long-term funding that is debt. Analyse how this change might affect the level of dividends received by shareholders.
		[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 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 this question are:

- analysing how having a higher proportion of long-term funding that is debt might affect the profit available for dividends
- explaining that the new project might affect profit
- explaining how this influences the potential payment of dividends to shareholders.

Indicative content:

- higher level of debt means that a business must set aside revenue each year to pay interest on the loan
- higher level of debt means that a business must set aside revenue each year to pay back the loan, although a long-term loan means this payment can be spread over the duration of the loan
- if the new project increases (decreases) profit then this will mean potentially higher (lower) dividends to shareholders higher-level of debt means that a relatively small % of funding is provided by shareholders.



MARK SCHEME – A-LEVEL BUSINESS – 7132/1 – JUNE 2019

The implications of these factors are:

- if interest rates are low, the business has a low cost source of finance, leaving it with more profit to be retained or given to shareholders as dividends. The opposite argument applies to high interest rate loans
- the longer the term of the loan, the lower the annual cost of repayment. Thus a 5 year loan of £100m requires repayment of £20m a year (+ interest); but if the loan was for 25 years it would be £4m a year therefore a short-term loan has a much greater impact on dividends in the short-term, but the impact is of more limited duration
- during a period of low profits, such as a recession, the interest rates might lead to no profit available to shareholders and could lead to a threat of liquidation
- with relatively few issued shares, profit per share will be higher and so high dividends are more likely
- low cost loans may enable a business to retain more profits, leading to higher profits and dividends in the long run
- a profitable project could lead to a long-run increase in profits, changing future dividend payments (or the reverse if it is unprofitable).

NOTE

To achieve L3, an answer will need to consider two possible effects.

MARK SCHEME – A-LEVEL BUSINESS – 7132/1 – JUNE 2024

1	8	Analyse why a public limited company might prefer to use share capital as a source of finance, rather than a bank loan.
		[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 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 this question are:

- showing an understanding of share capital and bank loans
- analysing why a business might choose share capital in preference to a bank loan.

Indicative content:

Possible responses include:

- recognising possible reasons why share capital might be a good choice
- recognising possible reasons why share capital might be a more appropriate choice than a bank loan:
 - share capital is a good source of long-term finance that does not need to be repaid, as such
 - share capital allows rewards to shareholders to be delayed until the business' finances are healthy
 - bank loans need to be repaid within a certain, agreed time constraint
 - interest must be paid on a bank loan, regardless of whether the finance creates a profit or not
 - in times of rising interest rates, bank loans might prove to be more costly to finance than expected
 - banks may be unwilling to lend.

NB. Credit that share capital is a “quick” source of finance ONLY if this is explained (eg. a rights issue to existing shareholders)

MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2019

16	.	2	Chris needs to make a decision about how to raise the finance for the expansion. Do you think using a bank loan or venture capital would be the better option? Justify your answer.
			[16 marks]

Marks for this question: AO1 = 4, AO2 = 2, AO3 = 4 and AO4 = 6

Level	The candidate will typically	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	1–4

MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2019

	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.	
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Examples of how assessment objectives might be met in this question include:

- demonstrate knowledge and understanding of bank loans and venture capitalists (AO1)
- be applied to the context of Chris's decisions and situation (AO2)
- analyse the possible impact of taking on external investment against the debt of a loan (AO3)
- evaluate information to make an informed judgement on whether the a bank loan or external investment is best. For example it may consider the importance of interest rates and the importance of the family ownership (AO4).

Possible responses:

- ability of Colbeck's to pay a loan is high as it is profitable but there is a suggestion of cash flow difficulties, should this really be the priority? It has taken out another loan so it could be left quite exposed to interest rate changes which are predicted to rise
- the loss of control associated with a venture capitalist will have significant harm to Chris if he likes the idea of keeping the business in the family. Losing positions for his daughter may be key
- the venture capitalist is offering well above market value which is positive but may harm the culture currently existing and Chris' vision for the business
- the costs may be considerably higher in paying back a loan rather than shares. The expansion is not needed at the moment given that the business is profitable.

Evaluation:

Factors identified as above but also that other factors that may play a part too, like the speed at which a loan can be accessed. Students should take information from case study to draw conclusions about whether the family ownership is the main driver for Chris, given his wishes for the business or if the need for finance is so urgent that he should take the risk of higher interest rates.

Further guidance

A level 4 response is likely to understand the importance of the family dynamic within the decision, the heritage of the firm, include thorough analysis of the long term impacts of ownership, balancing this overall with the level of debt and interest rate threat from a loan and make a definitive decision about what Chris should do for his particular business and family.

A level 3 response is likely to consider some impacts of the change in ownership might have in general and make some judgements about why a loan might be preferable for Chris in this scenario to new ownership.

A level 2 response is likely to analyse how a loan compares in general terms to shares with consideration of some elements of Colbeck's situation.

A level 1 response is likely to address some advantages or disadvantages to loans and equity in general terms and may make a generic judgement.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.



MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2023

0	7	BB needs to raise finance to fund the new warehouse.
		Do you think using a bank loan or venture capital would be the better option? Justify your answer.
		[16 marks]

Marks for this question: AO1 = 4, AO2 = 4, AO3 = 4, AO4 = 4

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 is applied effectively to the context - 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 and is 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



MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2023

The demands of the question focus on:

- an analysis of each option
- a judgement on which method of raising finance is the better option for BB.

Indicative content may include:

Venture Capitalist option:

- is 30% too much for BB to exchange for the finance that is needed? Zoe has built the business from the start; can she give up full control and share decision making with a venture capitalist?
- the venture capitalist is 'hands on' and this could be an issue for Zoe who has always made the decisions for BB
- BB will be employing a new manager in the future, could this be too many leaders/managers for BB if it accepts the venture capitalist offer?
- benefits of the venture capitalist include the industry experience Jack has and what this could add to BB. He also has marketing experience which could prove useful if BB enters new markets in the future
- BB has done well so far and have been successful in their market – does BB need guidance and support to be successful? Or to buy the warehouse?
- it depends on what BB is ultimately looking for from the finance needed. Does Zoe want the help and guidance or does she want to be independent in her decision making and running of the business?

Bank loan option:

- bank loan – the interest is an additional cost; the amount is fixed and repayable over a period of time; 10 years; is this too long?
- the repayments are less than the rent BB is paying, so BB will save money each month and as BB have cash flow issues, this could help BB's situation. Alternatively, it could be worse if BB don't have the cash to pay the repayment each month
- with a bank loan Zoe will retain full control of the business and decision-making opportunity cost implications of each choice.

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]
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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 whole throughout.	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 focus of the question is on:

- the possible reasons why or why not selling shares may be the best option
- the context of G-Free Ltd is partially relevant to the question set but the question focuses on all businesses
- the best way to raise large amounts of capital (which means there should be a comparison with at least one other way)

Indicative content may include:

- Impact of bringing more investors into the business; whether existing owners want new owners
Price that the shares could sell for; whether there is demand
Alternatives e.g. impact of more debt, effect of selling assets

Evaluation may consider:

- Existing financial position of the business e.g. how many assets does it have? How much debt?
- Costs of share issue v e.g. interest payments
- Availability of other sources of finance v demand for shares
- Views of existing owners

MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2017

Assessment Objectives

	AO1	AO2	AO3	AO4	TOTAL
1a	1	1			2
1b	1	3			4
2	2	2			4
3	3	3	3		9
4	3	3	3		9
5	4	2	4	6	16
6	4	2	4	6	16
7	4	3	5	8	20
Paper Total	22	19	19	20	80



MARK SCHEME – A-LEVEL BUSINESS – 7132/3 – JUNE 2023

0	5	Logger Boards Ltd has been offered a bank loan at 5% interest per year for the £500 000 needed to finance the building of its new production facility. Using Appendix B and other information, to what extent is using a bank loan too big a risk for the business? Use quantitative and qualitative information to justify your view. [20 marks]
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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 whole throughout.	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 and is 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 and with mainly descriptive application to the context and considers a limited number of issues in the question	5–8



MARK SCHEME – A-LEVEL BUSINESS – 7132/3 – JUNE 2023

	• makes judgements or proposes solutions which have limited links to 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.	1–4

The demands of this question are:

- demonstrates a clear understanding of a bank loan as a source of finance
- uses quantitative and qualitative information including **Appendix B**
- analyses the impact of the extra borrowing on Logger Boards Ltd's level of risk
- makes a justified judgement on whether the risk of using a bank loan is too big for Logger Boards Ltd.

Indicative content:**Arguments suggesting the loan would be too great a risk:**

- borrowing an extra £500 000 pushes Logger Boards Ltd's gearing ratio closer to 50% (from 28.57% to 47.37%)
- interest payments will rise – increasing the net finance cost reducing profit for the year
- demand is not guaranteed in the long term – paying back the loan plus interest will be difficult if demand fails to increase or even falls
- the business has a low tolerance for risk – reflecting Bodhi's risk averse approach – which has enabled the business to thrive for 25 years.

Arguments suggesting the loan would not be too great a risk:

- current ratio is healthy – 2.05 – suggesting that although interest payments will place a greater strain on the company's liquidity, Logger Boards Ltd is well-placed to deal with this
- gearing ratio remains under 50%
- interest rates are low (5%) – interest payments will be (5% of £500 000) £25 000 per year – relatively low, given last year's profit for the year of £230 000
- Logger Boards' products have been popular from the beginning and demand is expected to keep growing.

Accept other relevant arguments.

Evaluation

An effective judgement should flow from the arguments presented. Judgement should retain a tight focus on whether the extra risk involved in borrowing is too great for Logger Boards Ltd. Extraneous examination of the wisdom of the growth strategy is not relevant.

A reflection on the role of risk in any business should recognize that any business decision involves some risk, even a risk-averse company such as Logger Boards Ltd will need to accept a certain level of risk in order to keep trading. Although taking the loan will increase Logger Boards Ltd's level of financial risk, the move does not seem excessively risky.



Question 08 · Section A objective test question

Correct answer: C

Increasing the price of a good which has price inelastic demand

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



Question 03 · Section A objective test question

Correct answer: B

Increase the selling price of each product by £25.

(1 mark for the correct answer) · Source: AQA mark scheme, Section A answer key



MARK SCHEME – A-LEVEL BUSINESS – 7132/2 – JUNE 2021

0	2	1	Calculate the Gross Profit Margin for <i>Speckles</i> in 2020.	[2 marks]
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Marks for this question: AO1 = 1, AO2 = 1

$$\text{Gross Profit Margin} = \left(\frac{\text{Gross Profit}}{\text{Sales Revenue}} \right) \times 100$$

$$= \left(\frac{4}{20} \right) \times 100 \quad \text{OR} \quad \left(\frac{4\,000}{20\,000} \right) \times 100$$

$$= 20\%$$

2 marks for correct answer **20%**

1 mark for stating of formulae but no valid calculation.

1 mark for partial calculation or incorrect calculation e.g. wrong year

0	2	2	Analyse how Bell Ltd's cash flow is improved by the way it manages its payables and receivables.	[6 marks]
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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 are:

- to explain the relationship between payables, receivables and the cash flow of Bell Ltd.

MARK SCHEME – A-LEVEL BUSINESS – 7132/2 – JUNE 2021

Indicative content / answers may include:

- Offering trade credit will be important selling to retailers and managing this will help gain cash inflows eg securing prompt payment.
- Bell Ltd actively chase payments and try to limit the time periods offered which should hasten cash inflows.
- Bell Ltd has long term relationships with suppliers this may help secure preferential terms either as discounts or longer periods of credit/opportunity for delaying payment. Helps to delay/reduce cash outflows.
- These 2 things together can help manage cash flow – getting money in earlier and possibly delaying or reducing payments.

Accept other relevant arguments.

MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2024

Section C

Total for this section: 50 marks

16	.	1	Analyse the factors Paul might consider when deciding whether to use debt factoring to improve cashflow.
			[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 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.	1–3

The demands of the question are:

- analyse the factors Paul might consider when deciding whether to use debt factoring
- to improve cashflow.

Indicative content:

- debt factoring allows Paul to have the access to cash now and can be a quick way of accessing cash... currently, Paul is keen to get access to cash to buy materials at a significantly discounted level ('for orders by the end of this month')... but he has a number of customers who owe him a large amount of money and are yet to pay ('provides puzzles... but receives payment 3 months later') so there is access to large sums of cash that he can get very rapidly
- debt factoring would mean that Paul would get only 85% of the sales revenues that he would have received, in this case of record sales figures, so this would harm his revenue figures... this is a significant charge to his business... losing a large chunk of revenue will hit his gross profit margins... if he waits he may be able to collect 100% of sales revenue
- debt factoring as a source of cash means that Paul does not need to worry about paying interest to service a debt... with interest rates on a loan at 6% and rising... this means debt factoring could be a



MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2024

very attractive way to get the cash without the worry of keeping up regular interest repayments which would impact on his future cashflow

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.



MARK SCHEME – A-LEVEL BUSINESS – 7132/2 – JUNE 2024

0	2	2	Soundcheck plc has set a corporate objective to achieve an annual profit in 2024.
			Analyse the difficulties Soundcheck plc may experience when attempting to turn its 2023 loss into a profit in 2024.
			[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 identify the key influences on Soundcheck plc's costs, revenues and therefore profit
- analyse the difficulties Soundcheck plc will encounter in increasing its revenue (from subscriptions or advertising) and/or in controlling costs to turn a loss into a profit.

Indicative content:

- current users may be unwilling to start to pay for a service which they have been accustomed to receiving for free leading to low growth in subscription numbers
- users who do migrate from 'free' to 'paid' versions will no longer be exposed to adverts and so what will be the impact on advertisers if they lose access to higher-spending consumer groups?
- the market is becoming increasingly competitive and, as a relatively immature market, there is scope for market entry from large providers who could threaten Soundcheck plc's market-leader status, profit margins and advertising revenues
- greater competition may lead to demand becoming more price elastic, limiting scope for revenue growth and increasing the extent of buyer power as a competitive force
- the 'core' product of access to music may be seen as a commodity by young users who are accustomed to being able to download or stream content for free and may resist paying for it
- the increased costs associated with providing additional service features will present a barrier to the company becoming profitable

MARK SCHEME – A-LEVEL BUSINESS – 7132/2 – JUNE 2024

- being reliant on labour which is in short supply may lead to problems securing the talent who can create the unique content required to differentiate the company from its competitors
- higher than average salaries represent a fixed cost which may limit the ability of the firm to adapt its cost base to any reductions in revenues were the strategic change not to deliver its intended results. These labour costs are likely to be difficult to reduce given the bargaining power of the union and its members
- the global economic slowdown has reduced disposable incomes and led to cuts in discretionary spending, contributing to falling revenues and subscriber numbers for streaming firms in related industries.

Accept all relevant arguments.

MARK SCHEME – A-LEVEL BUSINESS – 7132/2 – JUNE 2024

0	3	1	Analyse how WWH Ltd could improve its cashflow.	[9 marks]
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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:

- demonstrate knowledge and understanding of how to improve cashflow
- analyse how cashflow can be improved in the context of WWH Ltd.

Answers may include:

- produce to order or switch to Just-in-time production, enabling less cash to be tied up in finished goods/stock
- sell assets/sale leaseback, leading to large inflow of cash
- full payment with order/increase deposit, bringing inflows earlier
- outsource fitting/installation to reduce two months wait for fitting (and hence decrease wait for customer's payment)
- debt factoring, use debt factors to get the inflow from the customer payment sooner.
- sale of new shares but if issuing shares is suggested be mindful that context is of a Ltd
- mortgaging some/all of the buildings that they own

Accept all relevant arguments.

MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2019

0	7	<i>Rana Fashion's financial adviser has suggested two solutions to the company's cash flow problems. Make a justified recommendation as to which solution Claudia should choose.</i>
		[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



MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2019

The focus of the question is on:

- making a clear and justified decision
- understanding the relative merits of the suggested solutions
- considering the consequences of the decisions.

Indicative content may include:

There are cash flow issues caused by aspects of Rana Fashion's business model:

- paying suppliers promptly
- ordering larger quantities and building up inventory
- offering interest free credit
- not clearing stock piles.

The 2 options offer 2 clear options.

Each option however has potentially negative consequences for the overall business and the solutions conflict with the core business objectives of Rana Fashion.

- Treating suppliers well – in fact helping support their businesses, paying promptly and building up inventories.
- Factoring the consumer debt is a concept that should be demonstrated, in this case what amount of sales are made on credit will be important, and factoring will reduce the amount earned in the end.

A good response will focus clearly on the question. It will offer a balanced discussion of the relative merits of the 2 suggested approaches culminating in a clear and well supported decision on the most appropriate approach.

A reasonable response may be less focused; less balanced or offer less support for the decision. Supporting both options will be reasonable at best as the question wants a choice.

A decision or choice without support will be a limited response.

MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2020

17	.	2	Mary is concerned about Glade Ltd's cashflow problems. Do you think an overdraft is the best way to deal with the company's long-term cashflow problems?
			[16 marks]

Marks for this question: 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 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 focused on the question as a whole.	1–4



MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2020

The demands of the question are:

- decide whether an overdraft is the best way of dealing with Glade's cashflow problems.

Indicative content:

- the amount of cash required by Glade is short-term but there are clearly issues with the longer-term working capital in the business and their payments to suppliers and from customers
- the overdraft facility is approved and so funds would be easily obtained and interest rates are expected to fall so with a profitable business it is likely she can pay this overdraft back
- the interest rates are falling so Glade might be attracted by a cheap option of an overdraft
- there appears to be alternative options in the form of managing payables and receivables more effectively especially if the suppliers would allow longer for payment. However, a rival firm collects cash quicker by putting pressure on customers although customers do have a large amount of power
- debt factoring may be another alternative as it will instantly access the funds that are owed and it appears that recouping the full revenue amount is not essential given the urgency of getting production going
- longer-term the cashflow must be resolved and an overdraft may end them back at square one if they do not solve the receivables and payables issue.

Evaluation:

On balance, Mary wants the business to continue production and expand in the long run so it is important that she solves the cashflow problems. However, with payment terms not currently optimal and many other options to solve the cashflow issues it would not seem prudent to take on short-term debt when simply delaying payments to suppliers might be easier and ease the issues in a clearly profitable business. This issue is one of long-term against short-term. The long-term issue of paying too quickly and allowing customers too long for credit must be resolved rather than just using a short-term overdraft to solve the problem.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.

MARK SCHEME – AS BUSINESS – 7131/1 – JUNE 2020

Specification Coverage (excluding MCQs)

Assessment Objectives	Paper 1 Marks	Paper 1 %	Required %
AO1	21	30	34–40
AO2	20	29	26–30
AO3	17	24	18–22
AO4	12	17	12–18
Overall mark	70	100	100



MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2025

0	6	Hoods Ltd wants to improve its cash flow position.
		Do you think it should use an overdraft or reduce the time it gives customers to pay to achieve this?
		Justify your choice.
		[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.	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 is 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 and is 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



MARK SCHEME – AS BUSINESS – 7131/2 – JUNE 2025

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 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
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The demands of the question focus on:

- an analysis of the two options
- and their impact on the cash flow position
- a focus on a judgement
- related to which of the two options is **more** likely to improve Hoods Ltd's cash flow position.

Indicative content may include:

- Hoods Ltd has a cash flow problem; causes of the cash flow issues include the fact that not all retail customers have paid Hoods Ltd on time and one large retailer has closed down without paying Hoods Ltd.

Analysis of the drawbacks of an overdraft may include:

- high interest rates; these are currently considered to be high and may increase further in the future.
- overdrafts can be required to be paid back with short notice by a bank. If this were to happen; it would negatively impact the cash flow position at Hoods Ltd.

Analysis of benefits of an overdraft may include:

- an overdraft gives immediate access to cash which is likely to be needed by Hoods Ltd if customers continue to make late payments.
- an overdraft can be increased with an agreement from the bank.

Analysis of drawbacks of reducing the credit terms offered:

- potential damage to customer relationships. Currently Hoods Ltd offer 60 days credit to its customers, this is double the amount of time when compared to the industry average. The finance manager at Hoods Ltd believes this is a term that is highly valued by its customers.
- consideration of the risk of losing customers through this change.

Analysis of benefits of reducing the credit terms:

- Hoods Ltd will receive the money owed by customers more quickly and this should help with the cash flow concerns.
- allows access to more cash in a timely manner to enable Hoods Ltd to pay its suppliers on time.

Judgement could consider:

- extent to which a change in credit terms would damage relationships and sales taking into consideration the industry average days offered.
- cost of interest repayments and the fact that these are likely to increase in the future.
- ease of setting up an overdraft considering Hoods Ltd have not previously used an overdraft.
- relative risks of the two options.

This indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.



MARK SCHEME – A-LEVEL BUSINESS – 7132/3 – JUNE 2022

0	3	Using information from Appendix C and the case study, recommend whether the use of debt factoring is a good way for SSN Ltd to improve its cash flow.
[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



MARK SCHEME – A-LEVEL BUSINESS – 7132/3 – JUNE 2022

The demands of this question are:

- analyse the impact of using debt factoring to improve cash flow
- use data from **Appendix C** and the case study
- make a judgement on whether debt factoring is a good way for SSN Ltd to improve its cash flow.

Indicative content:

- Debt factoring provides an immediate injection of cash flow in situations where services have been sold on credit.
- SSN Ltd currently have £16.5m of receivables. Factoring this would result in an immediate cash injection of around (80% of £16.5m) £13.2 million. This would enable the overdraft to be cleared or a large proportion of the £18m payables to be covered.
- Converts money owed into cash very quickly – SSN's cash flow problems are immediate.
- SSN Ltd will have cash and so will be able to meet current liabilities as they fall due.
- The factoring company takes responsibility for collecting the money – something that SSN Ltd have not achieved successfully recently. This could also help to preserve a positive relationship between the business and its debtors.
- Risk has been passed to the factoring company, to some extent – SSN Ltd would be helped by any reduction in financial risk in its current circumstances.

However:

- The factor's fee reduces the margin on each transaction. With £16.5m owed, if 5% factor's fee is deducted, that would mean lost revenue of £825 000. Over the course of a year a 5% reduction in revenue would be disastrous – current operating margin is just 3.03%.
- Bemmi likes to be in control, but has been concerned that she is finding it increasingly hard to monitor what is happening within the business. Passing control for collection of debts to the factor may leave her feeling that monitoring cash is even harder.
- Passing on the responsibility for payment collection to a factor may leave customers feeling they are less valued by SSN Ltd
- Other methods of improving cash flow may be more effective

Accept other relevant arguments.

Evaluation

An effective judgement should flow from the arguments presented. Judgement is likely to come through the assessment of the suitability of debt factoring to SSN Ltd's circumstances. SSN Ltd's operating profit for last year would have been eliminated if revenues were reduced by 5% – suggesting that factoring does not represent a viable long-term solution, however, responses that suggest factoring is a sensible short-term solution should be credited. Other sensible proposals should also be credited but are not required.

NOTE – responses that do NOT meet the first demand of the question cannot progress past Level 2 of the marking grid

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 2019 · 1 mark · 3.5.1

< 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, 4 and 9 proved to be the most straightforward, closely followed by questions 5 and 2.

Source: AQA Report on the Examination, AS Business 7131/1, June 2019.

2. Q9 · AS Paper 1 · June 2025 · 1 mark · 3.5.1

< 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.

3. Q4 · A Level Paper 1 · November 2020 · 1 mark · 3.5.1

< MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Q4 – This question exposed a lack of precision in some students' understanding of how profit is calculated, with a significant minority confusing operating profit with profit for the year.

Source: AQA Report on the Examination, A Level Business 7132/1, November 2020.

7. Q1 · AS Paper 2 · June 2022 · 3 marks · 3.5.1

< MARK SCHEME

It was anticipated that this question should have proved very accessible. Many students did demonstrate the basic numeracy skills needed to calculate the gross profit accurately. There was, however, a disappointingly high proportion of incorrect answers in which only part of the calculation had been completed. Success in this subject involves students being confident with basic numeracy and students must show their workings in all calculation questions.

Source: AQA Report on the Examination, AS Business 7131/2, June 2022.

9. Q19 · A Level Paper 1 · June 2022 · 9 marks · 3.5.1

< MARK SCHEME

Most students showed an understanding of non-profit organisations and the better responses tended to be those answers that used this context most effectively in their answers. Students' understanding of financial objectives tended to be less precise, but the majority of students were able to analyse the reasons why, and in what respects, a non-profit organisation would set financial objectives. In comparison to the other 9-mark questions, relatively few students struggled but also fewer students provided high quality responses to this question. Noticeably more students' answers reached level 2 (a reasonable response) on this question than questions 20 and 21 and yet fewer students were able to reach level 3 (a good response). Some students discussed how 'controlling' a manager was, rather than their 'span of control'.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2022.

10. Q6 · AS Paper 2 · June 2022 · 16 marks · 3.5.1

< MARK SCHEME

There were many good responses to this question that showed good analysis, good use of the case study and good judgement in their decision with the question. The students scoring in the top levels for this question did so by laying out their argument early on and ensuring that they showed balance in their analysis of the importance of cash flow and profit. The weaker responses listed reasons why one was more important than the other and did not use the details from the case study. There were many examples of students who confused the two concepts and this question also highlighted that some students had not picked up that VeganLife was an Ltd, or demonstrated confusion between an Ltd and PLC.

Source: AQA Report on the Examination, AS Business 7131/2, June 2022.



12. Q8 · AS Paper 1 · June 2017 · 1 mark · 3.5.2[< MARK SCHEME](#)

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Questions 4, 7 and 8 also proved to be challenging for a significant number of students with the most common distractors proving to be response B for question 4, response C for question 7 and response C for question 8 (presumably as a result of applying the gross profit margin to the dividends paid figure).

Source: AQA Report on the Examination, AS Business 7131/1, June 2017.

13. Q2 · AS Paper 1 · June 2018 · 1 mark · 3.5.2[< MARK SCHEME](#)

This question required students to tackle a more novel approach to testing the concept of margin safety. This proved to be a challenge, with only 35% achieving the correct answer. Option B (43%) proved to be a strong distractor. This arose from a misinterpretation of the diagram which showed the break-even output falling by 20 units (and so the margin of safety rose by 20 units).

Source: AQA Report on the Examination, AS Business 7131/1, June 2018.

14. Q8 · AS Paper 1 · June 2018 · 1 mark · 3.5.2[< MARK SCHEME](#)

This test of variance analysis proved to be accessible for most students, although it did reveal uncertainty on the meaning of 'adverse' variance for revenue.

Source: AQA Report on the Examination, AS Business 7131/1, June 2018.

17. Q2 · AS Paper 1 · June 2022 · 1 mark · 3.5.2[< 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, 3 and 9, with the most common distractors proving to be response D for question 2 and response C for question 9, although there was no clear distractor for question 3.

Source: AQA Report on the Examination, AS Business 7131/1, June 2022.

18. Q5 · AS Paper 1 · June 2023 · 1 mark · 3.5.2[< MARK SCHEME](#)

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Question 5 proved to be the most challenging, with the correct response of B proving to be the second most popular choice in close conjunction with response C, and response D proving to be the most common distractor (attracting about 40% of the students). In the light of this, it might well be worth getting students to spend some time considering the implications of rearranging some of the most commonly used formulae from the specification.

As ever, students need to read both the question and the different options presented by the multiple choice questions carefully, and this would appear to be the very clear message from question 5.

Source: AQA Report on the Examination, AS Business 7131/1, June 2023.

19. Q7 · AS Paper 1 · June 2023 · 1 mark · 3.5.2[< MARK SCHEME](#)

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Questions 2 and 7 also proved to be challenging for a significant number of students. Question 7 saw students torn between the correct response of D and response B, with responses A and C also attracting significant support. It would appear as though the interpretation of break-even charts continues to be a tricky concept for a lot of students. Question 2 saw nearly half of the students opting for the correct response of B, although each of the other three options attracted significant interest with option C accounting for just over one fifth of the responses.

Source: AQA Report on the Examination, AS Business 7131/1, June 2023.

20. Q7 · AS Paper 1 · June 2024 · 1 mark · 3.5.2[< 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 2024 (continued)

Questions 7 and 10 proved to be the most challenging. In the case of question 10, the correct response of C was selected by just under a third of the students, with response A proving to be the most common distractor (attracting just under two fifths of the students). Responses B and D also attracted a considerable number of students. It would appear as though the majority of students failed to fully understand the implications of the phrase 'there are no other changes.' In the case of question 7, the correct response of D was selected by about a quarter of the students, with response C proving to be the most common distractor (attracting just over a half of the students). It seems as though the majority of students did not appreciate that July's net cash flow of £22 000 included the outflow of £14 000.

Source: AQA Report on the Examination, AS Business 7131/1, June 2024.

21. Q5 · A Level Paper 1 · June 2018 · 1 mark · 3.5.2

< MARK SCHEME

This question required an understanding of the calculation of break-even output, preferably (but not necessarily) through a knowledge of the formula. The overwhelming majority of students were able to identify that a decrease in selling price would lead to an increase on the breakeven output. However, both option A (a decrease in fixed costs) and option D (a decrease in variable costs) proved to be relatively common alternatives selected.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2018.

22. Q8 · A Level Paper 1 · June 2018 · 1 mark · 3.5.2

< MARK SCHEME

This question proved to be accessible for most students. Over 80% of students gave the correct answer. There was no clear logic to the choice of incorrect answers although it did reveal possible confusion between the meaning of 'adverse' and 'favourable' variances as the most popular distractor had both elements incorrect.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2018.

23. Q12 · A Level Paper 1 · November 2020 · 1 mark · 3.5.2

< MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Q12 – This was another challenging question based on a well-known concept. All four options were chosen regularly by students, suggesting some limitations in their understanding of breakeven. .

Source: AQA Report on the Examination, A Level Business 7132/1, November 2020.

26. Q4 · A Level Paper 1 · June 2023 · 1 mark · 3.5.2

< 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.

27. Q4 · A Level Paper 1 · June 2024 · 1 mark · 3.5.2

< MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

Students often find data interpretation challenging, but most of these questions were answered well. Question 4, on budget variances, proved to be the most difficult of this type of question in this paper.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2024.

28. Q6 · A Level Paper 1 · June 2025 · 1 mark · 3.5.2

< MARK SCHEME

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.



Q6 · A Level Paper 1 · June 2025 (continued)

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.

29. Q1.1 · AS Paper 2 · June 2017 · 2 marks · 3.5.2

[< MARK SCHEME](#)

proved to be a very accessible calculation, with the vast majority of students able to secure the 2 marks available by correctly calculating Gross Profit Margin (GPM). Some students fail to show their workings; this is a risky strategy as any errors will lead to zero marks, whereas marks can be gained from demonstrating understanding through formulae or the process.

Source: AQA Report on the Examination, AS Business 7131/2, June 2017.

31. Q12 · AS Paper 1 · June 2018 · 3 marks · 3.5.2

[< MARK SCHEME](#)

Most students answered this question well with significantly over a half earning full marks. The responses that fell short by one mark seemed to fall into one of the three categories that were covered by the application of the 'own figure rule' in the mark scheme. In most cases, such responses offered answers of either £20 000 or (£20 000) doubtless as a consequence of confusion around negative and positive values of the relevant figures, and, less common, was an answer of £100 000 with no indication that it should be a negative value. As ever, with calculation questions, the value of students showing their working should be emphasised, and it is encouraging to see a continued reduction in the number of students who simply provided an answer (sometimes, the correct one) without any indication as to how they got there. Only a very small number of students were unable to score any marks on this question.

Source: AQA Report on the Examination, AS Business 7131/1, June 2018.

32. Q1 · AS Paper 2 · June 2018 · 3 marks · 3.5.2

[< MARK SCHEME](#)

It was expected that this question would be very accessible. The information necessary to calculate breakeven was clearly presented in the case. Break-even is a core concept that should be widely understood, although this was not the case. Many students found ways to create alternative methods to calculate the answer and there were several common incorrect answers. Students need to have a thorough knowledge of formulae from the specification. When calculating break-even they should not express break even output as a partial fraction or decimal, it should be a whole number (rounded up).

Source: AQA Report on the Examination, AS Business 7131/2, June 2018.

33. Q2 · AS Paper 2 · June 2022 · 3 marks · 3.5.2

[< MARK SCHEME](#)

It was expected that many students would be able to perform well on this question. The question proved reasonably accessible, however, there were many students gaining zero and one mark. A common incorrect response was to confuse the method to calculate break even. On all numerical questions, it is advisable to write out the formula or method being used, and to lay answers out clearly and show workings.

Source: AQA Report on the Examination, AS Business 7131/2, June 2022.

34. Q11 · AS Paper 1 · June 2023 · 3 marks · 3.5.2

[< MARK SCHEME](#)

This required students to carry out a calculation based on what should be a familiar concept with a gatekeeper in the form of margin of safety. It proved to be a very challenging question for a significant majority of students.

For those with a sound knowledge and understanding of the concept, there was a straightforward route to three marks, although only just under one fifth of students were able to accomplish this.



Q11 · AS Paper 1 · June 2023 (continued)

The majority of students failed to demonstrate any knowledge or understanding of the key concept and really struggled with this question, with many of them using the data to calculate profit and arriving at an answer of £14 000. Two marks were generally achieved by those students who were able to calculate the break-even output but were unable to take the final step to calculate the margin of safety. Others were awarded two marks through the application of the 'own figure rule', and one such approach saw a number of students calculating a contribution per unit of £15 (5×3) and then a break-even output of 2000 resulting in a margin of safety of 20 000 units. Such application of the 'own figure rule' serves to reinforce the value of students showing their working and 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.

In the absence of any valid calculations, a mark was available for demonstrating knowledge and understanding of margin of safety. However, in reality, those students who were secure in this knowledge and understanding, were able to apply it to the data and calculate the correct answer.

Source: AQA Report on the Examination, AS Business 7131/1, June 2023.

35. Q2 · AS Paper 2 · June 2023 · 3 marks · 3.5.2

[< MARK SCHEME](#)

Many students calculated the separate parts of the equation/calculation – for example, revenue and variable cost – but there were many instances of errors when using the figures to try and arrive at the answer. Several students used total costs in their calculation which gave answers of £27,350. Overall, it was felt that a significant number of students did not know what contribution is, or how to calculate it. The majority of students who scored full marks gave clear responses with the formula used and showed the steps in the calculation clearly.

Source: AQA Report on the Examination, AS Business 7131/2, June 2023.

36. Q2 · AS Paper 2 · June 2024 · 3 marks · 3.5.2

[< MARK SCHEME](#)

This question required students to carry out a calculation based on what should be a familiar concept. It proved to be a very challenging question for a significant majority of students. For those with a sound knowledge and understanding of the concept, there was a straightforward route to three marks, very few students were able to accomplish this. The majority of students failed to demonstrate any knowledge or understanding of the key concept and struggled with this question overall.

Those students who were able to access full marks clearly demonstrated their sound understanding of the concept and their knowledge of break even. More than half of the students attempting this question scored 0 marks. Approximately 10% of students did not attempt this question. It was evident that there was a fundamental lack of knowledge of margin of safety for the majority of students.

Source: AQA Report on the Examination, AS Business 7131/2, June 2024.

37. Q2 · AS Paper 2 · June 2025 · 3 marks · 3.5.2

[< MARK SCHEME](#)

This proved to be a more challenging question than the previous one. Some students were able to demonstrate their knowledge of the formula but then did not follow this through by using the right figures needed for the calculation. Approximately 3.5% responses seen were "not attempted".

Source: AQA Report on the Examination, AS Business 7131/2, June 2025.

38. Q1.2 · A Level Paper 2 · June 2024 · 3 marks · 3.5.2

[< MARK SCHEME](#)

This question proved a challenge for many students. There were some correct answers that did demonstrate clear understanding but also many that did not clearly differentiate between Gross Profit and Gross Profit Margin. Most learners could identify and increase in cost of sales and apply the context of rising cost of raw materials but did not relate this in context of revenue rising as well.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2024.

39. Q1.1 · A Level Paper 2 · June 2025 · 3 marks · 3.5.2

[< MARK SCHEME](#)

This question proved to be a good discriminator with students either understanding how to complete the calculation or not. There were relatively few awards for partial marks as students did not offer the formula or label their workings correctly. Where partial marks were achieved this was usually due to a single arithmetic error in calculation or the failure to identify the final answer as £m. The common error was many students did not pick on the information that credit payment terms were changing.

On any calculation question it is useful for students to carefully lay out and label workings to gain at least process marks.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2025.



40. Q11 · AS Paper 1 · June 2017 · 4 marks · 3.5.2[< MARK SCHEME](#)

The majority of responses to this question were awarded 3 or 4 marks, with a significant number of students achieving full marks. The responses that fell short by one mark seemed to fall into one of three categories. Some responses correctly calculated the operating profit variance but failed to identify it as an adverse variance (thus highlighting the importance of identifying all of the demands of the question), while others carried out a calculation based on gross profit resulting in an answer of 1.1 adverse. In some cases, a calculation based on operating profit was carried out ($0.8 - 0.4$) which resulted in an answer of 0.4 adverse, suggesting a lack of precise knowledge.

As ever, marks were awarded through the application of the 'own figure rule', thus reinforcing the value of students showing their working and it was encouraging to see a reduction in the number of students who 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 2017.

41. Q1.2 · AS Paper 2 · June 2017 · 4 marks · 3.5.2[< MARK SCHEME](#)

proved challenging for students. Good answers focused on the differences between the Gross and Operating Profit Margins and understood that the differences in figures related to decreasing expenses. It is a concern that many students performed poorly on this question having accurately calculated the GPM in Question 1.1 – demonstrating that students are capable of carrying out the mechanics of a calculation but possibly do not fully understand what the figures mean.

When viewed together the question discriminated well as a 6 mark question.

Source: AQA Report on the Examination, AS Business 7131/2, June 2017.

42. Q13 · AS Paper 1 · June 2019 · 4 marks · 3.5.2[< MARK SCHEME](#)

This proved to be an accessible question that was based on a familiar concept but which challenged students to carry out a calculation that they might not necessarily practise as a matter of course. The majority of responses to this question were awarded 3 or 4 marks, with most of these students achieving full marks. The most popular route to the correct answer appeared to be based on a 'contribution per unit' approach, and those students who fell short tended to use this approach to calculate the unit contribution but failed to take the final step. The weakest responses either made very limited attempts at a calculation or just offered some valid subject knowledge with no attempt at a calculation.

As ever, marks were awarded through the application of the 'own figure rule', thus reinforcing the value of students showing their working and it was encouraging to see a significant reduction in the number of students who 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 2019.

43. Q2 · AS Paper 2 · June 2019 · 4 marks · 3.5.2[< MARK SCHEME](#)

It was pleasing that many students were able to perform well on this question. The question proved reasonably accessible with very few students gaining zero marks. A common wrong response was to use total costs as actual profit and then subtracted budgeted profit to get £30,000.

On all numerical questions it is advisable to lay answers out clearly and show workings – this gains credit for processes even when an error may have led to an incorrect final answer

Source: AQA Report on the Examination, AS Business 7131/2, June 2019.

45. Q14 · AS Paper 1 · June 2023 · 4 marks · 3.5.2[< MARK SCHEME](#)

This question required students to explain one benefit to a newly established business of producing a budget. The key to success here was to clearly explain the benefit of using a budget in the context of a newly established business, and the context did prove to be a considerable challenge to the vast majority of the students, with only a relatively small number of responses reaching level 3.

Virtually all of the students had some knowledge and understanding of budgets and budgeting and/or were able to identify a valid benefit of producing a budget. Most were able to develop a generic explanation as to why producing a budget might be beneficial to a business. The majority of the responses to this question were awarded a mark in level 2, and such responses generally

fell short of making a clear and/or convincing link to the notion of a newly established business, tending instead to frame their explanation in the context of business in general.

The significant number of responses that remained in level 1 tended to either simply state a potential benefit without any attempt at explanation, or to demonstrate perfectly reasonable knowledge and understanding of budgets and budgeting again with no explanation or use of context.



Q14 · AS Paper 1 · June 2023 (continued)

Source: AQA Report on the Examination, AS Business 7131/1, June 2023.

46. Q13 · AS Paper 1 · June 2024 · 4 marks · 3.5.2

< MARK SCHEME

This required students to carry out a calculation and it proved to be an accessible question for many students, based on a familiar concept with a gatekeeper in the form of operating profit margin. For those with a sound knowledge and understanding, there was, once again, a straightforward route to four marks, with just under a third of students achieving full marks. The vast majority of students were able, at least, to calculate the revenue of £45 000 and the total variable costs of £18 000, although just under a fifth did little more than this and were, accordingly, awarded two marks. Three marks were generally achieved by students who took the calculation a stage further by calculating the operating profit of £7000. Alternatively, some students achieved three marks by the application of the 'own figure rule,' and one such approach saw a number of students calculating £27 000 as the operating profit (ignoring the expenses of £20 000) and then going on to arrive at a margin of 60% (once again, such application of the 'own figure rule' serves to reinforce the value of students showing their working).

This question differentiated effectively and was generally well answered with a fairly even spread of outcomes across the mark range. The responses that were awarded one mark tended to be those that calculated either revenue or total variable costs, but not both. Around one tenth of responses struggled to achieve any marks for this question, with the weakest responses demonstrated a fundamental lack of knowledge and / or understanding of the concept of operating profit margin.

Source: AQA Report on the Examination, AS Business 7131/1, June 2024.

47. Q12 · AS Paper 1 · June 2025 · 4 marks · 3.5.2

< MARK SCHEME

This question required students to carry out a calculation based on what should be a familiar concept, with a gatekeeper in the form of margin of safety. However, it proved to be a very challenging question for a significant number of students with just over one third of students unable to achieve a mark. For those with a sound knowledge and understanding of the concept, there was a straightforward route to four marks.

One mark tended to be awarded to responses which calculated the contribution per unit of £480 but did not progress beyond this point, or to responses which offered no valid calculations but did provide a clear demonstration of valid knowledge. Three marks were generally achieved by those students who were able to calculate the break-even output but were unable to take the final step to calculate the margin of safety. Other responses were awarded three marks through the application of the 'own figure rule' which, as ever, illustrates the value of students showing their working-out.

Source: AQA Report on the Examination, AS Business 7131/1, June 2025.

48. Q16 · A Level Paper 1 · June 2019 · 4 marks · 3.5.2

< MARK SCHEME

Only a third of students were able to answer this question correctly. The total revenue element of the question was answered well on the whole. However, a surprising number of students did not recognise that there was no change in fixed costs. Many students drew a line that was parallel to the original line, showing a change in fixed costs rather than variable costs.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2019.

49. Q16 · A Level Paper 1 · November 2020 · 4 marks · 3.5.2

< MARK SCHEME

Most students were able to calculate the actual profit/loss for 2019. However, a majority of these then failed to compare this to the budgeted profit in order to calculate the profit variance and identify its type.

Source: AQA Report on the Examination, A Level Business 7132/1, November 2020.

50. Q16 · A Level Paper 1 · June 2024 · 4 marks · 3.5.2

< MARK SCHEME

This was the hardest question on this section of the paper. Many students were able to calculate the break-even output and thus secure 2 marks. Those students who were then able to calculate the actual output tended to go on to achieve full marks. Many students calculated the answer as a sum of money rather than in terms of units of output – adding a £ sign to their final calculated answer.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2024.



51. Q3.1 · A Level Paper 2 · June 2018 · 5 marks · 3.5.2[< MARK SCHEME](#)

This question proved to be difficult with many only achieving level 1 on the mark scheme. Most students identified that reducing prices would probably increase demand. Many students confused the income elasticity of demand coefficient of +1.5 with the price elasticity of demand. For many, increased demand was all that was included and the focus was on increased revenue or overall profit, as opposed to the margin per ticket sold which is what the question asked.

Better answers linked cutting price to a rise in demand / sales and highlighted that cutting cabin crew pay would reduce costs and therefore increase margin, if the cut was greater than the price cut per ticket. Though again many students discussed in terms of overall profit.

Good responses saw students explain a link to rising profit margins on the ticket. These student's responses either explained through economies of scale, but better still in terms of capacity utilisation; fuller planes would lead to lower unit costs as the fixed costs of running each plane are shared out more. These responses were very much in the minority.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2018.

52. Q19 · A Level Paper 1 · June 2017 · 6 marks · 3.5.2[< MARK SCHEME](#)

In this question, many students found it difficult to explain how break-even analysis might help a start-up business. There was a tendency to provide assertions rather than reasoned arguments, although there were a number of very focused responses.

Some students defined break-even as a period of time, rather than a number of units of output. In their responses students should show a precise understanding of the issues in the question. "It could help understand the financial position of the business" does not in itself show how breakeven analysis specifically could help a start-up. Better responses were able to show how break-even analysis could be used to examine the impact of changes to costs and/or price.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2017.

53. Q15.1 · AS Paper 1 · June 2017 · 9 marks · 3.5.2[< MARK SCHEME](#)

Most students were able to identify a number of valid financial weaknesses from table 1 and to offer some explanation as to the consequences of these weaknesses, although the weakest responses did little more than describe the contents of the table. Some responses identified and attempted to discuss as many as four areas of financial weakness and thus sacrificed depth of analysis for range. It is also worth noting that some responses drifted in offering solutions to the perceived financial weaknesses rather than considering why they might represent a challenge for this business.

The level 3 responses addressed the issue of 'why' and had a clear focus on the problems that the financial weaknesses represented for AC Ltd. There were some excellent responses with students carrying out appropriate calculations (e.g. break even output or the extent of the loss made by the business) and using the data effectively to build arguments showing how the weaknesses might affect AC Ltd. Often, such responses brought the argument back to Sam's failure to achieve his stated financial targets or his ambitions to grow the business or they developed links between the extent of the overdraft and cash flow problems arising from the receivables/payables situation.

Source: AQA Report on the Examination, AS Business 7131/1, June 2017.

54. Q16.1 · AS Paper 1 · June 2022 · 9 marks · 3.5.2[< 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 profit margins convincingly, or at all, and a number of students did not attempt this question. The stimulus material presented a number of hooks offering access to level 3 by building two good arguments (e.g. larger purchases of materials allowing the negotiation of considerable discounts/the introduction of lean production/the

doubling in size of the rented head office/the introduction a new layer of management), linked to each of the two profit margins.

Inevitably, those students who lacked the necessary and precise knowledge and understanding of gross and operating profit margins struggled to move beyond level 1. Indeed, the weakest responses seemed to draw on the information in figure 1 rather than table 1, and attempted to link the changes in profit margins to the Boston Matrix (and this seems to be the main reason for the significant number of responses that did not achieve any marks for this question). Some limited responses tended to see students just focusing on the revenue data, while others failed to distinguish between the two profit margins and just referred to profit margins in general (in the latter case, 'benefit of the doubt' was applied wherever possible. In the case of the weakest responses, students seemed to have no knowledge of the relevant concepts, and did little more than identify some issues and any explanation tended to be very limited and largely descriptive.

Reasonable responses tended to demonstrate some relevant knowledge and understanding but were inconsistent in applying it to the appropriate elements of the context. Some students only offered a single line of argument focusing on just one of the profit margins, thus failing to focus on the 'plural' nature of this question. The most effective responses tended to demonstrate knowledge and understanding implicitly and built two good arguments, one on each of the two profit margins.



Q16.1 · AS Paper 1 · June 2022 (continued)

Source: AQA Report on the Examination, AS Business 7131/1, June 2022.

55. Q5 · AS Paper 2 · June 2023 · 9 marks · 3.5.2

< MARK SCHEME

This question produced some well-focused answers. Most students picked up on the impact on financial performance and used this in their analysis in their responses. Overall students used the case material very well for this question and picked out that the new contract would provide stability. Those who used this argument in context with other issues at BB Ltd achieved level 3 with good analysis.

Source: AQA Report on the Examination, AS Business 7131/2, June 2023.

56. Q5 · AS Paper 2 · June 2025 · 9 marks · 3.5.2

< MARK SCHEME

There was a good spread of marks seen overall on this question and almost all students who gave a response had a good knowledge of budgets. Those students scoring in level 3 did so by using the context well and explaining how the delegation of budget control would impact the business. Most students approached the response with a positive viewpoint and made analytical points that discussed how the change would positively impact the business. Fewer students discussed the negatives but where these arguments were seen, they were often executed very effectively and led to marks in level 3.

Source: AQA Report on the Examination, AS Business 7131/2, June 2025.

57. Q1 · A Level Paper 3 · June 2019 · 12 marks · 3.5.2

< MARK SCHEME

This question worked effectively, enabling students to 'have a go'. By combining information provided from the case study, especially tracking finances and delegating spending power, and picking out why these problems needed solving, most students produced a reasonable response. Notably, on this question and the two that followed, top level answers had one very clear feature – they were able to explain how a budgeting system would solve the problems mentioned in the case study. It was the ability to identify aspects of budgeting, explain how they worked and then pick off how these features enabled better financial control or formed the basis of a system of delegated spending power that characterised top level responses.

The wording of the question explicitly required two ways – meaning that this was a stated requirement of the question and students only able to offer one way thus scored less well.

Source: AQA Report on the Examination, A Level Business 7132/3, June 2019.

58. Q6 · AS Paper 2 · June 2024 · 16 marks · 3.5.2

< MARK SCHEME

This proved to also be a very accessible question, again with a high number of students being able to provide good responses, moving into the highest level. There were some overall excellent answers to this question. The strongest responses confidently evaluated their points made in terms of how concerned the managers should or should not be in the context given. The use of the data and the case study in general was very well executed by the top-level students. These students tended to back up their reasoning very effectively with evidence from the case study. At the same time these students demonstrated a clear understanding of the need to balance their arguments and then justify their overall decision. Weaker responses tended to either be a one-sided argument with no evidence of balance shown, making it very difficult to demonstrate the skills of analysis and evaluation in their responses.

Source: AQA Report on the Examination, AS Business 7131/2, June 2024.

59. Q5 · AS Paper 1 · June 2017 · 1 mark · 3.5.3

< 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 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.

Source: AQA Report on the Examination, AS Business 7131/1, June 2017.

60. Q1 · AS Paper 1 · June 2022 · 1 mark · 3.5.3

< 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 5 and 6 proved to be the most straightforward, closely followed by questions 1 and 7.



Q1 · AS Paper 1 · June 2022 (continued)

Source: AQA Report on the Examination, AS Business 7131/1, June 2022.

61. Q1 · A Level Paper 1 · June 2019 · 1 mark · 3.5.3

< MARK SCHEME

This was intended to be a fairly straightforward first question, testing short-term and long-term finance. However, it did use a double statement approach which students can find more challenging. Most students were able to answer correctly.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2019.

62. Q3.1 · A Level Paper 2 · November 2020 · 2 marks · 3.5.3

< MARK SCHEME

This was a straightforward definition that produced some very vague responses or basic rewording. Students either knew the definition or not.

Source: AQA Report on the Examination, A Level Business 7132/2, November 2020.

64. Q15 · AS Paper 1 · June 2018 · 6 marks · 3.5.3

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The vast majority of students were able to provide reasonable responses to this question and a significant number moved into the highest levels. The most effective responses made good use of the context focusing on issues such as Mae's lack of experience and business expertise as well as the likely risks associated with the business venture. The key to accessing the highest level was recognising the need to explain why venture capital might be more appropriate than a loan in these circumstances.

Level 2 responses tended to explain the benefits and / or disadvantages of the two sources of finance without making the necessary link(s). The weakest responses tended to do little more than demonstrate some knowledge of bank loans, suggesting that a number of students either lacked clarity of understanding or were unfamiliar with the concept of venture capital.

Source: AQA Report on the Examination, AS Business 7131/1, June 2018.

65. Q21 · A Level Paper 1 · June 2017 · 9 marks · 3.5.3

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This question also provided a variety of responses with good students being able to explain the meaning of debt factoring and to use Figure 5 to show why debt factoring would help that particular business. In many cases students knew the definition of debt factoring but subsequent explanations indicated an uncertainty in their understanding.

Some students showed a good understanding of the data in Figure 5, but sometimes made unnecessary calculations of ratios that did not address the question. Good answers tended to use the data to recognise the link between the growth of receivables and the decline in cash and then explain why this would lead to debt factoring as a solution.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2017.

66. Q19 · A Level Paper 1 · June 2019 · 9 marks · 3.5.3

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Most students understood the demands of the question and were able to link increased debt to lower dividends in the short-term, with the potential for higher dividends if the project was successful in the long-term. More effective answers showed a chain of reasoning, linking an increase in debt to a short-term need to pay interest and also repay the debt, putting pressure on cash flow and thus reducing dividends. Many students made good use of terms such as 'gearing' and 'non-current liabilities' in their answers. A number of students tended to drift into arguments relating to share prices and some argued that the change would lead to fewer shareholders. Some excellent answers reasoned that a business might maintain dividend levels to gain future support from shareholders.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2019.

67. Q18 · A Level Paper 1 · June 2024 · 9 marks · 3.5.3

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Most students showed a clear understanding of bank loans but their knowledge of share capital as a source of finance was less certain. Better answers (those that tended to reach Level 3) tended to take the approach of presenting an advantage of using share capital and a disadvantage of using bank loans. A number of students argued in favour of both types and were consequently not rewarded for suggesting why a bank loan would be the best option. The vast majority of students achieved Level 2 by presenting a relevant argument against the use of the bank loan, but provided no more or undeveloped analysis.

Source: AQA Report on the Examination, A Level Business 7132/1, June 2024.



68. Q16.2 · AS Paper 1 · June 2019 · 16 marks · 3.5.3[< MARK SCHEME](#)

The vast majority of students were able to provide reasonable responses to this question and a significant number moved into the highest levels. The weakest responses tended to do little more than offer definitions which were often lacking in precision and substance, and a small number appeared to have no knowledge / understanding of venture capital.

Many students achieved reasonable marks by demonstrating sound knowledge and understanding of bank loans and venture capital, and by making essentially generic comparisons between them without ever really applying their arguments to the context provided. The case study offered a significant number of 'hooks' for application, and the best responses used them in a thoughtfully selective manner. Many students mentioned the issue of 'control' or even the issue of the 'family dynamic' but a large number failed to appreciate that these might be significant factors in the decision. The significance of the pedigree of the business being family owned and set up for the next generation was missed by many, and a number of arguments advocating the venture capital option did not really consider the potential for conflict and the implications of short termism on a workforce already beset by productivity / motivation issues. There also seemed to be some confusion around 'market capitalisation'.

The responses that moved into the highest levels tended to offer arguments in favour of the bank loan with a focus on control and family heritage, and then achieved balance by offering counter arguments around the servicing and burden of increased debt in the context of the financial position of the business. The most impressive responses were built on balanced and well developed arguments that led logically to a well-supported overall decision with a clear focus on the demands of the question. A striking feature of such responses was the clarity of the students' view, as well as the coherent structure of the discussion and the thoughtful selection of the arguments. This suggests that the better answers were planned and had a clear sense of the demands of the question and what they wanted to argue from the start.

Source: AQA Report on the Examination, AS Business 7131/1, June 2019.

69. Q7 · AS Paper 2 · June 2023 · 16 marks · 3.5.3[< MARK SCHEME](#)

This question was a well answered question by most students. Students gave clear and concise responses and appeared to favour the question style of asking for a choice to be made. Students were able to show good analytical skills by examining each option effectively.

Source: AQA Report on the Examination, AS Business 7131/2, June 2023.

70. Q7 · AS Paper 2 · June 2017 · 20 marks · 3.5.3[< MARK SCHEME](#)

Although there were some good answers to this question it served as another example of a question where students would gain from taking time to plan and think before selecting the salient points to use in their answer.

Many students chose to offer very long theoretical answers – restating all they knew about public limited companies; their features; advantages and disadvantages. Some failed to address the question of raising significant amounts of capital at all.

A significant number of students had worrying gaps in their knowledge for example: believing public limited companies were owned by the government in the public sector. suggesting that all other sources of finance would be equally appropriate for raising significant amounts of capital without selectivity, too often including overdrafts for example. believing issuing shares is quick and free for a plc.

Some weaker responses focused on what the capital raised could be used for rather than the best ways to raise it.

However, the vast majority of students made a reasonable attempt at this question – there were no signs of students running out of time. This final question carries 20 marks – 25% of the whole paper and most students seemed to allocate enough time, but as with Q6 and Q7 only the better answers showed evidence of effective and thoughtful planning.

With this final question students are asked to consider an issue that is important in the case itself but compare and contrast this with different business situations. It is a more open question than the other ones because students can consider contexts other than the case study. What might be a good option for G-Free Ltd in the case might not be the best option for another business and students can discuss this. In this question, for example, whether selling shares is the best way to raise large amounts of capital may depend on whether the existing owners are willing to lose control, what price the shares could be sold for and what alternatives there are – for example, is the business able to borrow and if so at what interest rate? Strong responses need to debate the issues not just analyse them; in this question students needed to make judgements on why they think selling shares is or is not the best way to raise large amounts of capital. This requires more than simply analysing the advantages and disadvantages of selling shares to raise finance; it requires supported judgement of whether this is "best" way of raising finance.

Source: AQA Report on the Examination, AS Business 7131/2, June 2017.

71. Q5 · A Level Paper 3 · June 2023 · 20 marks · 3.5.3[< MARK SCHEME](#)

General feedback



Q5 · A Level Paper 3 · June 2023 (continued)

This question provides a nice example of the benefits of sticking very closely to answering the specific question asked. Responses that maintained a tight focus on the level of risk involved in taking out the loan scored well. This was especially evident where judgements were clearly focused on the level of risk. A further feature common to excellent responses was the calculation, interpretation and use of relevant financial ratios (gearing and current) in building arguments addressing the question. Weaker responses lost their focus on the question, variously by trying to analyse whether a loan was a good source of finance (without exploring risk), whilst some drifted to analysing whether the business should go ahead with its expansion plans. Recognising the time challenges presented by this paper, questions will often be tightly worded, enabling students to fully respond to the precise question succinctly, thus avoiding time problems across the paper as a whole. Responses that drift will both fail to reach higher levels of the mark scheme requiring focus to be maintained and also potentially use up time that they will need to respond to later questions.

Source: AQA Report on the Examination, A Level Business 7132/3, June 2023.

72. Q8 · AS Paper 1 · June 2024 · 1 mark · 3.5.4

[< 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 1 and 8 proved to be the most straightforward, closely followed by questions 9 and 4.

Source: AQA Report on the Examination, AS Business 7131/1, June 2024.

73. Q3 · AS Paper 1 · June 2025 · 1 mark · 3.5.4

[< MARK SCHEME](#)

From the examiner's comments on Section A (multiple-choice questions). The comment may mention other questions too.

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.

75. Q16.1 · AS Paper 1 · June 2024 · 9 marks · 3.5.4

[< MARK SCHEME](#)

This proved to be a challenging question for a number of students which elicited a range of marks with a significant number of students appearing to struggle to address the concept of debt factoring convincingly, or at all, and a number of students did not attempt this question. The stimulus material presented a number of hooks offering access to level 3 by building good arguments (eg accessing cash to enable the purchase of materials at a significantly discounted level, securing a source of cash that would not require the payment of regular amounts of interest to service debt which could impact on future cashflow or the loss of a significant amount of revenue (15%) at a time of record sales figures to secure the debt factoring agreement).

Inevitably, those students who lacked the necessary and precise knowledge and understanding of debt factoring struggled to move into or beyond level 1. Some students seemed to think that the business would have to give up 85% of the value of sales invoices in order to secure the debt factoring agreement, while others appeared to suggest that the debt factoring agreement would oblige Paul's business to pay interest to the debt factor. Just under a quarter of students were either awarded zero or did not attempt this question. Limited responses did little more than identify some issues and any explanation tended to be very limited and largely descriptive. Such responses tended to identify the fact that payments were received three months after providing the puzzles to retailers as a problem, but either failed to offer any potential solutions or suggested that simply accepting Holly's offer would automatically solve the problems around cashflow.

Reasonable responses tended to demonstrate some relevant knowledge and understanding but lacked well developed analysis and/or effective application to the context. Some students only offered a single line of argument focusing on just one factor, thus failing to address the 'plural' nature of this question.

The most effective responses tended to demonstrate knowledge and understanding implicitly and built two good arguments, generally focusing on trade-offs such as that between the loss of 15% of sales revenue and the potential long term impact of borrowing from the bank at a time when interest rates would be 6% and rising very rapidly, or that between the loss of 15% of sales revenue and the potential benefits of accessing the bulk buying economies of scale offered by the 'excellent one-off half price deal on materials for orders by the end of the month'. Indeed, there were some excellent responses along these lines.

Source: AQA Report on the Examination, AS Business 7131/1, June 2024.



76. Q2.2 · A Level Paper 2 · June 2024 · 9 marks · 3.5.4[< MARK SCHEME](#)

Many students were unable to reference turning a loss into a profit. Most students were able to identify difficulties in relation to the context of the case. Students often focused on costs (for example, pay and labour turnover) but they often ignored the revenue side. Higher scoring answers provided chains of argument linked to profit, the best applied to the context of turning a loss into a profit.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2024.

77. Q3.1 · A Level Paper 2 · June 2024 · 9 marks · 3.5.4[< MARK SCHEME](#)

Some students mixed terms of profit and revenues in a question about cashflow. However, overall this was a well answered question. Students were able to clearly demonstrate their knowledge of cash flow and then apply to the case. Some students suggested to increase the number of fitters or multi-product lines but showed no awareness of the increase in outflows that this would lead to. A small minority suggested a bank loan which was not acceptable from the context of the case.

Source: AQA Report on the Examination, A Level Business 7132/2, June 2024.

78. Q7 · AS Paper 2 · June 2019 · 16 marks · 3.5.4[< MARK SCHEME](#)

The students faced a choice as to whether Claudia should choose to delay payments to suppliers or to use debt factoring in order to solve the cash flow problems when answering this question. Good responses provided a clear decision having previously considered the two options. There was clear evidence of the best students making effective use of the case – for example delaying payments going counter to the business ethics and was there enough debt to factor with just 25% of sales on credit – and of having a clear view from the outset.

This question proved to be accessible to those that understood debt factoring, but a significant minority did not have this understanding. Students who did not demonstrate relevant understanding limited their response to discussing the pros and cons of delaying payments and a decision but without support of understanding the alternative. A common misconception was that the debt factoring business would chase payments aggressively – demonstrating poor understanding of the concept.

Source: AQA Report on the Examination, AS Business 7131/2, June 2019.

80. Q6 · AS Paper 2 · June 2025 · 16 marks · 3.5.4[< MARK SCHEME](#)

In this question many students balanced the two options to improve the cash flow of the business well. The stronger students used the case in their analysis throughout and linked their points effectively back to improving the cash flow position. The top scoring students achieving level 4 marks used the context very well to answer the demands of the question and gave a clear judgement as to which option would be the 'best' option to improve the cash flow position. Those achieving level 3 marks tended to do so with strong knowledge and understanding demonstrated, with good analysis of one or both of the options.

Source: AQA Report on the Examination, AS Business 7131/2, June 2025.

81. Q3 · A Level Paper 3 · June 2022 · 16 marks · 3.5.4[< MARK SCHEME](#)

There was some evidence of limited understanding of debt factoring as a method of bringing forward cash inflows. In fact, many inaccurate statements were made relating to factoring, cash flow and the relationship between receivables and payables. For those with a sound understanding of the topic, this proved a straightforward question, with clear benefits received by bringing forward a proportion of cash inflows due from receivables, and a clear drawback in the 5% factor's fee, which the best answers compared to the company's current profit margins.

Source: AQA Report on the Examination, A Level Business 7132/3, June 2022.

