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EDEXCEL INTERNATIONAL GCSE BUSINESS: QUESTIONS BY TOPIC

Accounting and Finance (5)

International GCSE Business Topic 5

61 questions · 1220 marks · Mark schemes included

Pearson Edexcel International GCSE (9–1) Business 4BS1, Papers 1, 1R, 2 & 2R, June 2019 - June 2025

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HOW TO USE THIS BOOKLET

Questions are grouped by specification sub-topic; within each sub-topic they run from the lowest mark tariff to the highest.
Click any heading or question row below to jump straight to it.
On every question page, click ANSWER in the top-right corner to jump to its mark scheme.
Diagrams, graphs, tables and data are printed exactly as they appeared in the original papers.

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QUESTIONS

61 questions · 1220 marks · grouped by sub-topic, lowest tariff first

SUB-TOPIC 5.1

BUSINESS FINANCE

19 questions in this sub-topic · 380 marks · lowest tariff first

3 *Backyard Shoez* is analysing its financial position before it begins selling shoes to men and children.

(a) Define the term **profit**.

(1)

.....

.....

(b) Outline **one** impact on *Backyard Shoez* if interest rates increase.

(2)

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.....

.....

.....

Backyard Shoez's monthly fixed costs are 100 000 Ks with a variable cost of 3 500 Ks for a pair of shoes, at a selling price of 4 300 Ks.

(c) Calculate the break-even point. You are advised to show your working.

(2)

.....Ks

(d) Analyse the benefits to *Backyard Shoez* of using break-even analysis to plan the launch of its new shoes for men and children.

(6)

.....

.....

.....

.....

.....

In order to start selling shoes to men and children *Backyard Shoez* will need additional finance.

The owners are considering the following two options:

Option 1: crowdfunding

Option 2: overdraft.

(e) Justify which **one** of these options *Backyard Shoez* should use.

(9)

4 In 2017 one of *Lavender*'s outlets had current assets of 120 000 MYR and current liabilities of 90 000 MYR.

(a) Calculate to 2 significant figures the current ratio for 2017. You are advised to show your workings.

(2)

(b) Analyse the benefits to *Lavender* of using internal sources of finance for its expansion plans.

(6)

Lavender already uses a website to promote its products.

(c) Evaluate the benefits to *Lavender* of using other forms of technology to promote its products.

(12)

3 *HRMW* employs staff to design the products it manufactures. The aim is to add features so that the products are better than any others on the market.

(a) Define the term **e-tailers**.

(1)

(b) Outline **one** reason why *HRMW* uses robotics in the production of its goods.

(2)

If *HRMW* produce tennis racquets with the following costs:

Fixed costs = 300 000 Rupees

Variable costs = 3 000 Rupees

Sale price = 5 000 Rupees

(c) Calculate the number of tennis racquets that would have to be made to break-even. You are advised to show your working.

(2)

..... Tennis racquets

(d) Analyse the limitations for *HRMW* of using break-even charts when planning the manufacture of tennis racquets.

(6)

Research and development (R&D) of tennis racquets before they are produced is essential and can be expensive. To cover these costs *HRMW* is considering the following two options:

Option 1: retained profit

Option 2: selling assets.

(e) Justify which **one** of these two options *HRMW* should use.

(9)

4 **Figure 2** is an extract from *NOF*'s financial information for 2020.

	£
Current assets	300 000
Stock	50 000
Current liabilities	220 000

Figure 2

(a) Calculate, to 2 decimal places, the current ratio for 2020. You are advised to show your working.

(2)

(b) Analyse the benefits to *NOF* of using personal savings to expand its product range.

(6)

(c) Evaluate the factors that *NOF* might consider when measuring the success of its farm shop. You should use the information provided as well as your own knowledge of business.

(12)

3 (a) Define the term **price skimming**.

(1)

(b) Outline **one** reason why cash might be important to *Artify Studio*.

(2)

Figure 1 is an extract from the *Artify Studio* statement of profit and loss.

	S$
Revenue	90 500
Cost of goods sold	53 500
Direct labour	8 500
Total cost of sales	62 000
Gross profit	28 500

Figure 1

(c) Calculate, to two decimal places, the gross profit margin for *Artify Studio*. You are advised to show your working.

(2)

..... %

(d) Analyse how *Artify Studio* could use the information in **Figure 1** to assess the performance of the business.

(6)

Artify Studio is looking to increase the amount of paint materials it sells. It wants to sell painting sets for children and will need additional finance for the start-up costs of buying these painting sets.

It is considering the following two options:

Option 1: crowdfunding

Option 2: retained profit.

(e) Justify which **one** of these two options *Artify Studio* should choose.

(9)

2 (a) State **one** way *TBTS* can measure its success as a business.

(1)

(b) State **one** reason why *TBTS* might segment its market.

(1)

(c) Explain **one** benefit to a business of having a flat organisational structure.

(3)

(d) Explain **one** method a small business might use to increase its profit.

(3)

(e) Explain **one** benefit to a business of using the Boston Matrix.

(3)

TBTS wants to sell a wider variety of toys. It is planning to buy these toys from other suppliers. This will need new finance.

TBTS is considering two options:

Option 1: using retained profits

Option 2: getting a bank loan.

(f) Justify which **one** of these two options *TBTS* should choose.

(9)

2 During the preparation of food, the chefs at *Can Culleretes* have to follow health and safety regulations. New regulations are made from time to time.

(a) State **one** impact government legislation could have on *Can Culleretes*.

(1)

(b) State **one** way *Can Culleretes* might add value to its business.

(1)

(c) Explain **one** method a business could use to encourage repeat purchase of its products.

(3)

(d) Explain **one** disadvantage of using personal savings as a source of finance for a business.

(3)

(e) Explain **one** benefit for a business of motivating its employees.

(3)

Can Culleretes is looking to improve its revenue and is considering two options:

Option 1: increase advertising

Option 2: opening for breakfast.

(f) Justify which **one** of these two options *Can Culleretes* should choose.

(9)

4 *Can Culleretes* offers a fixed price dinner menu at €38.40 per person. Groups of five or more are given a discount of 12.5% on their total bill.

(a) Calculate the total cost of a group of 12 people ordering from the fixed price dinner menu. You are advised to show your working.

(2)

€.....

The city of Barcelona has seen a number of new restaurants offering various menus such as Italian and Turkish.

(b) Analyse the importance of *Can Culleretes* responding to changes in its market.

(6)

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Can Culleretes is opening Can Café near its restaurant. Can Café will be a smaller premise providing a variety of drinks and smaller plates of food for people in a hurry.

(c) Evaluate the impact of using venture capital as a source of finance to fund the opening of Can Café. You should use the information provided as well as your own knowledge of business.

(12)

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4 *Cadbury* is part of the multinational *Mondelez* business. In 2017 *Mondelez* had a gross profit of $10.3 million and a revenue of $25.9 million.

(a) Calculate, to two decimal places, the gross profit margin. You are advised to show your working.

(2)

..... %

When *Cadbury* was founded in 1842, there may have been times when it needed an overdraft.

(b) Analyse why *Cadbury* may have needed to take out an overdraft.

(6)

(c) Evaluate the importance of marketing for *Cadbury* when introducing a new product. You should use the information provided as well as your own knowledge of business.

(12)

3 (a) Define the term **variable costs**.

(1)

.....

.....

.....

(b) Outline **one** way *Aude Rose* could extend the product life cycle of one of its products.

(2)

.....

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Figure 1 shows the retained profit for *Aude Rose*.

2021	€16 260
2022	€12 594

Figure 1

(c) Calculate, to two decimal places, the percentage decrease in retained profits from 2021 to 2022. You are advised to show your working.

(2)

..... %

Aude Rose is considering introducing a wider range of flowers for sale.

(d) Analyse the impact on *Aude Rose* of using its retained profits for this proposed development.

(6)

Aude Rose is always looking to keep up with changes and new trends in the flower market. It is anticipating that this year there may well be many changes in the industry and it wants to do some research.

Aude Rose is considering two options:

Option 1: handing out questionnaires to customers that visit the shop

Option 2: using the internet to research new trends.

(e) Justify which **one** of these two options *Aude Rose* should choose.

(9)

1 *Mahindra & Mahindra Limited (M&M)* is an Indian multinational vehicle manufacturing corporation with its headquarters in Mumbai, India. It is one of the largest manufacturers of cars, vans and tractors in the world.

M&M started in 1945 and has prospered for over 75 years with the aim of 'Rising through crisis'. In the 1970s with the oil crisis that sent the cost of petrol rising, it adapted its tractor diesel engines to be used in its cars and vans.

M&M is committed to ensuring that it protects the environment. In 2020 it planted 1.32 million trees across India. It supports schools for disadvantaged children and teenagers.

Figure 1 Maslow's Hierarchy of Needs

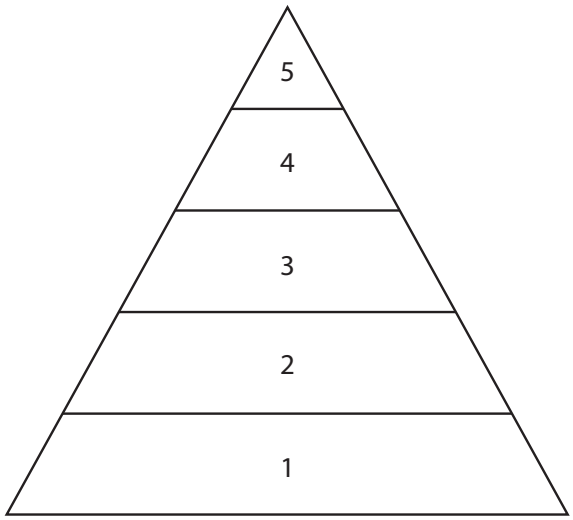


Figure 1

(a) (i) Which **one** of the following is Level 3 in Maslow's Hierarchy of Needs?

Select **one** answer.

(1)

- ☒ **A** Esteem
- ☒ **B** Social
- ☒ **C** Safety
- ☒ **D** Basic

(ii) Which **one** of the following is an external source of finance?

Select **one** answer.

(1)

- ☒ **A** Personal savings
- ☒ **B** Retained profit
- ☒ **C** Selling assets
- ☒ **D** Venture capital

Below is an extract from a cash flow forecast for one month.

The opening balance was £20 000, cash inflow £28 000 and cash outflow £56 000.

(iii) Which **one** of the following is the closing balance for the end of the month?

Select **one** answer.

(1)

- ☒ **A** –£28 000
- ☒ **B** –£8 000
- ☒ **C** £48 000
- ☒ **D** £84 000

(iv) Which **one** of the following is a reason why governments raise tax rates?

Select **one** answer.

(1)

- ☒ **A** To raise revenue for the government
- ☒ **B** To attract multinationals
- ☒ **C** To raise demand in the economy
- ☒ **D** To reduce unemployment

In 2020 *M&M* sold 288,302 tractors. The number of tractors sold in 2021 was 12% higher.

(v) What would be the number of tractors sold in 2021?

Select **one** answer.

(1)

- ☒ **A** 253,706
- ☒ **B** 300,302
- ☒ **C** 322,898
- ☒ **D** 322,910

A shop owner wanted to gain information from potential customers before opening his shop.

(vi) Which **one** of the following market research methods would the shop owner use?

Select **one** answer.

(1)

- ☒ **A** Market segment
- ☒ **B** Primary research
- ☒ **C** Research and development
- ☒ **D** Secondary research

(b) Define the term **public corporation**.

(1)

(c) Define the term **qualitative market research**.

(1)

(d) State **one** reason why it is important for *M&M* to motivate its employees.

(1)

In 2019 *M&M* borrowed 448 million Indian Rupees. In 2020 it borrowed 900 million Indian Rupees.

(e) Calculate, to two decimal places, the percentage increase from 2019 to 2020. You are advised to show your working.

(2)

.....%

(f) Explain **one** advantage of becoming a multinational business.

(3)

(g) Analyse the disadvantages to *M&M* of using social media.

(6)

2 (a) State **one** non-financial method *AWG* may use to motivate its employees.

(1)

(b) State **one** task of an *AWG* employee working in the human resources department.

(1)

(c) Explain **one** benefit of globalisation to a small business.

(3)

(d) Explain **one** method of below-the-line promotion a business may use to retain its customers.

(3)

(e) Explain **one** benefit to a business of using market segmentation to target its customers.

(3)

If *AWG* expands its business in Iceland it may need to seek additional finance. It is considering two options:

Option 1: use venture capital to open new stores

Option 2: start offering franchises.

(f) Justify which **one** of these two options *AWG* should choose.

(9)

2 *Kraft Heinz* has different functional areas within the business. These functional areas work together to ensure that *Kraft Heinz* maintains high standards of production with limited waste material.

Kraft Heinz aims to be involved in the local area through various methods such as charity and sporting events.

(a) State **one** task that human resources would carry out at *Kraft Heinz* when recruiting an employee.

(1)

(b) State **one** financial objective *Kraft Heinz* might have.

(1)

(c) Explain **one** reason why some businesses use crowdfunding as a source of finance.

(3)

(d) Explain **one** disadvantage to a business of using retained profits to purchase goods and services.

(3)

(e) Explain **one** reason why the quality of goods manufactured by a business is important to its success.

(3)

Kraft Heinz constantly aims to promote its products to encourage people to increase sales. To do this *Kraft Heinz* is considering using the following techniques:

Option 1: sponsorship of a local charity

Option 2: increasing the number of special offers.

(f) Justify which **one** of these two options *Kraft Heinz* should choose.

(9)

3 (a) Define the term **diseconomies of scale**.

(1)

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(b) Outline **one** method of primary market research that *PPS* could use to gain feedback on its services.

(2)

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Figure 3 is an extract of financial information from a *PPS* monthly cash flow forecast.

	€
Opening balance	16 000
Cash inflow	22 000
Cash outflow	20 000

Figure 3

(c) Calculate the closing balance. You are advised to show your working.

(2)

€ .....

PPS wants information on its customers' spending patterns.

(d) Analyse the importance of reliable market research to obtain this information.

(6)

PPS is looking to build another eight kennels with Closed-circuit television (CCTV) in its pet hotel. To do this it will need €7 500.

PPS is considering two options:

Option 1: using Rachel's personal savings

Option 2: taking out a small bank loan.

(e) Justify which **one** of these two options *PPS* should choose.

(9)

1 *Café Pinch* is a small café based in Berlin, the capital city of Germany. It serves a range of hot and cold meals. The owner, Kumaran, trained in good Berlin restaurants and cafés before starting his own café business. It opened in December 2018. It has 10 seats in front of the café and 10 inside. It is located close to an underground station. Despite being surrounded by many other cafés, *Café Pinch* received 5 out of 5 in online reviews. The reviewers commented on the high-quality cooked food, filled Ciabattas, range of drinks and excellent customer service. The café is open 8am–5pm every day. It has a website which is used for information purposes only.

(a) (i) Which **one** of the following is an example of an internal source of finance?

Select **one** answer.

(1)

- ☒ **A** Overdraft
- ☒ **B** Crowdfunding
- ☒ **C** Retained profit
- ☒ **D** Share capital

(ii) Which **one** of the following is a result of average costs rising in a growing large business?

Select **one** answer.

(1)

- ☒ **A** Economies of scale
- ☒ **B** Diseconomies of scale
- ☒ **C** Purchasing economies
- ☒ **D** Financial economies

(iii) Which **one** of the following is the money left after all costs have been subtracted from revenue?

Select **one** answer.

(1)

- ☒ **A** Gross profit
- ☒ **B** Inflows
- ☒ **C** Loss
- ☒ **D** Profit

(iv) Which **one** of the following is a debt payable after 12 months?

Select **one** answer.

(1)

- ☒ **A** Non-current liability
- ☒ **B** Current liability
- ☒ **C** Non-current asset
- ☒ **D** Current asset

Café Pinch sells many filled Ciabattas. The most popular is mozzarella cheese and avocado, selling for €5.30. The cost of making this Ciabatta is €2.56.

(v) Which **one** of the following is the markup for the mozzarella cheese and avocado Ciabatta?

Select **one** answer.

(1)

- ☒ **A** 48%
- ☒ **B** 93%
- ☒ **C** 107%
- ☒ **D** 207%

Café Pinch wants to add French Fries to its menu. It will use British potatoes costing £0.82 per kilo.

The exchange rate is €1 (euro) = £0.84.

(vi) Which **one** of the following would *Café Pinch* pay in euros if it bought 50 kilos of potatoes?

Select **one** answer.

(1)

- ☒ **A** €59.52
- ☒ **B** €48.81
- ☒ **C** €42.00
- ☒ **D** €41.00

(b) Define the term **variable cost**.

(1)

(c) Define the term **niche marketing**.

(1)

(d) State **one** way *Café Pinch* can react to external social factors affecting its business.

(1)

Customers who buy a ham Ciabatta for €7.50, a sweet waffle for €2.90 and a coffee at €3.60 would pay a total of €14.00. A lunchtime special deal offers them a 5% discount.

(e) Calculate what a customer would pay for these three items after the discount is applied. You are advised to show your working.

(2)

€ .....

(f) Explain **one** advantage to a start-up business of using a venture capitalist.

(3)

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(g) Analyse the importance to Kumaran, the owner of *Café Pinch*, of having motivated employees.

(6)

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4 *Jimmy Choo* has many shops around the world.

Figure 2 shows the number of *Jimmy Choo* shops in some locations.

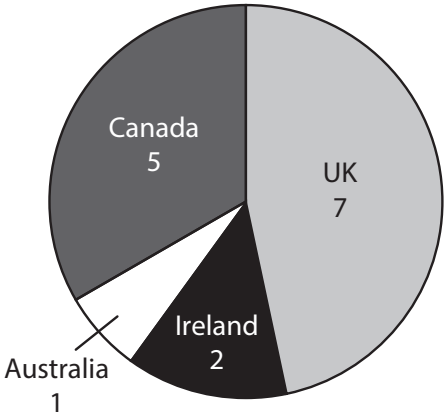


Figure 2

(a) Calculate, to two decimal places, the percentage of *Jimmy Choo* shops in the UK.
You are advised to show your working.

(2)

.....%

(b) Analyse the benefit to *Jimmy Choo* of using share capital to fund its growth.

(6)

Jimmy Choo is supplied by a number of different businesses. There are some factories that *Jimmy Choo* has a large financial interest in. The majority of the manufacturing businesses are located in Italy with a few in Spain and China.

Jimmy Choo is considering investing in another clothing and shoe factory and will require skilled employees.

(c) Evaluate the factors *Jimmy Choo* would have to consider when making decisions on the location of a new factory. You should use the information provided as well as your own knowledge of business.

(12)

2 (a) State **one** reason why branding is important to *Saha*.

(1)

(b) State **one** task that an employee working in the production department at *Saha* might do.

(1)

(c) Explain **one** disadvantage for a business of using flow production to produce its goods.

(3)

(d) Explain **one** method of above the line promotion a business may use to increase its sales revenue.

(3)

(e) Explain **one** reason why the proximity to materials is important to a business when locating to a new factory.

(3)

When *Saha* expands its business it will require additional finance. It is considering two options:

Option 1: crowdfunding

Option 2: loan capital.

(f) Justify which **one** of these two options *Saha* should choose.

(9)

third gym.

2 (a) State **one** factor *Four Fitness* may consider when choosing a location for its new gym.

(1)

(b) State **one** reason why branding is important to *Four Fitness*.

(1)

(c) Explain **one** advantage to a business of using total quality management.

(3)

(d) Explain **one** problem a business might face as a result of ineffective communication.

(3)

(e) Explain **one** disadvantage to a small business of borrowing money from a bank.

(3)

Four Fitness is looking to introduce a new service to increase its market share. It is considering two options:

Option 1: as part of its monthly subscription price, members are given a 'Technogym Electronic Key' which is inserted into the gym equipment. The key will track and store their progress. An instructor helps them to analyse their progress.

Option 2: introduce links to online fitness classes on its website that can be accessed from home. Customers will be charged for each fitness class downloaded.

(f) Justify which **one** of these two options *Four Fitness* should choose.

(9)

3 (a) Define the term **share capital.**

(1)

(b) Outline how *CCT* could use quantitative research data to improve its service.

(2)

Figure 2 is an extract from the statement of comprehensive income from a *CCT* competitor.

	CYN
Revenue	85 000
Cost of sales	13 500
Gross profit	71 500

Figure 2

(c) Calculate, to two decimal places, the gross profit margin. You are advised to show your working.

(2)

.....%

CCT wants to extend its services by offering family tour holidays and team-building days for businesses. It plans to recruit an external Marketing Manager to promote these new services.

(d) Analyse the possible effects on *CCT* of recruiting externally.

(6)

Feedback from some customers suggested they became tired during the bicycle tours. To overcome this problem *CCT* is planning to purchase electric bicycles.

To fund the cost of purchasing the electric bicycles, *CCT* is considering two options:

Option 1: selling assets

Option 2: retained profit.

(e) Justify which **one** of these two options *CCT* should choose.

(9)

SUB-TOPIC 5.2

CASH FLOW

10 questions in this sub-topic · 200 marks · lowest tariff first

3 One of *TADS'* objectives is to expand by giving lessons for different musical instruments. To do this it will need to analyse its financial position.

(a) Define the term **liquidity**.

(1)

(b) Outline **one** possible financial objective, other than revenue, that *TADS* might have.

(2)

Figure 1 shows an extract from the cash flow forecast for *TADS*.

	February (£)
Opening balance	4 000
Cash inflow	7 000
Cash outflow	3 000
Net cash flow	
Closing balance	

Figure 1

(c) Calculate the closing balance for February. You are advised to show your working.

(2)

£.....

(d) Analyse the importance of cash to *TADS*.

(6)

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TADS is looking to increase its revenue.

TADS is considering the following **two** options:

Option 1: teach other musical instruments

Option 2: increase the number of online drum lessons.

(e) Justify which **one** of these two options *TADS* should choose.

(9)

3 (a) Define the term **job share**.

(1)

(b) Outline **one** reason why high levels of customer satisfaction might be important to *Loaf*.

(2)

Figure 2 is an extract from *Loaf*'s statement of comprehensive income in 2018.

	£000s
Revenue	90
Gross profit	22
Other operating expenses	4

Figure 2

(c) Calculate the operating profit margin for *Loaf* in 2018. You are advised to show your working.

(2)

..... %

(d) Analyse how useful the information in **Figure 2** is to *Loaf*.

(6)

Loaf is looking to increase its net cash flow.

It is considering the following two options:

Option 1: hosting pop-up events across the country

Option 2: introducing different cookery courses.

(e) Justify which **one** of these two options *Loaf* should choose.

(9)

The demand for *NOF* products can be affected by external factors.

2 (a) State **one** external factor that could cause a change in demand for *NOF* products.

(1)

(b) State **one** reason *NOF* might use other retailers to sell its products.

(1)

(c) Explain **one** benefit to a business of using secondary market research.

(3)

(d) Explain **one** limitation of a cash flow forecast when making business decisions.

(3)

(e) Explain **one** benefit to a business of using crowdfunding as a source of finance.

(3)

NOF has recently harvested its corn crop. It intends to turn the corn into popcorn called '*NOF* pop' to sell in the farm shop and through local retailers.

NOF is considering two options to introduce the product into the market:

Option 1: offering a low introductory price for three months

Option 2: selling at the same price as competitors.

(f) Justify which **one** of these two options *NOF* should choose.

(9)

1 *Can Culleretes* is a restaurant based in the Spanish city of Barcelona. Opening in 1786 it is the second oldest restaurant in Spain. It has been run by the Agut-Manubens family since 1958 and serves a variety of Mediterranean food. Sisters Montserrat and Alicia are co-owners of the restaurant with six members of the family working for them. The restaurant is near to popular tourist attractions and close to many other restaurants. It opens for lunch and dinner only.

(a) (i) Which **one** of the following could immediately improve cash flow?

Select **one** answer.

(1)

- ☒ **A** Allow customers to pay later
- ☒ **B** Launch an advertising campaign
- ☒ **C** Increase inventory of raw materials
- ☒ **D** Pay suppliers later

(ii) Which **one** of the following is an example of primary market research?

Select **one** answer.

(1)

- ☒ **A** Internet
- ☒ **B** Postal survey
- ☒ **C** Newspaper
- ☒ **D** Government report

(iii) Which **one** of the following is a fixed cost?

Select **one** answer.

(1)

- ☒ **A** Rent
- ☒ **B** Packaging
- ☒ **C** Weekly wages
- ☒ **D** Raw materials

(iv) Which **one** of the following is used to calculate the break-even point?

Select **one** answer.

(1)

- ☒ **A** Fixed costs × (selling price + variable costs)
- ☒ **B** Fixed costs × (selling price – variable costs)
- ☒ **C** Fixed costs ÷ (selling price + variable costs)
- ☒ **D** Fixed costs ÷ (selling price – variable costs)

For its Winter menu *Can Culleretes* buys 10 kilograms (kg) of salmon from Scotland every week at a cost of £19.17 per kilogram.

In November 2021 the exchange rate was £1 = €1.17

(v) Which **one** of the following is the total cost in euros of buying a two week supply of salmon?

Select **one** answer.

(1)

- ☒ **A** €191.70
- ☒ **B** €224.29
- ☒ **C** €383.40
- ☒ **D** €448.58

Can Culleretes buys its prawns from a local fishmonger at a cost of €11.50 a kilogram. It is then sold to customers for €13.70 a kilogram.

(vi) What is the markup on a kilogram of prawns?

Select **one** answer.

(1)

- ☒ **A** 11.5%
- ☒ **B** 13.7%
- ☒ **C** 19.1%
- ☒ **D** 23.0%

(b) Define the term **job production**.

(1)

.....

.....

.....

(c) Define the term **diseconomies of scale**.

(1)

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.....

.....

(d) State **one** method *Can Culleretes* could use to collect quantitative market research.

(1)

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.....

.....

Figure 1 is an extract from *Can Culleretes'* cash-flow forecast.

	June
Opening balance	€4 400
Cash inflow	€4 600
Cash outflow	€3 000
Net cash flow	

Figure 1

(e) Calculate the net cash flow for *Can Culleretes* in June. You are advised to show your working.

(2)

€.....

(f) Explain **one** benefit to a business of improving communication with its employees.

(3)

Can Culleretes is looking to launch an app that allows customers to order their meals in the restaurant using their mobile phones.

(g) Analyse the likely impact on productivity if *Can Culleretes* launches this app.

(6)

1 *Aude Rose* is a flower shop in Paris, France. It was set up by Aude Anglaret after she graduated with a qualification in floristry. It opened a shop in 2009 in the outskirts of Paris. Since then it has gone from strength to strength increasing its market share. To meet this increase in demand it has closed its first shop and opened a larger one in the centre of Paris with a higher rent and a possible increase in customers. It currently employs four florists. *Aude Rose* has been recognised for its high-quality flower arrangements that have been seen in several wedding magazines.

(a) (i) Which **one** of the following describes a minimum wage?

Select **one** answer.

(1)

- ☒ **A** Fixed amount per year and paid monthly
- ☒ **B** The lowest amount a business can legally pay its employees
- ☒ **C** Payment made to an employee for working additional hours
- ☒ **D** Payment made to an employee for reaching a target

(ii) Which **one** of the following describes the cash cow category in the Boston matrix?

Select **one** answer.

(1)

- ☒ **A** High market growth, high market share
- ☒ **B** High market growth, low market share
- ☒ **C** Low market growth, high market share
- ☒ **D** Low market growth, low market share

(iii) Which **one** of the following would give a business a negative cash flow?

Select **one** answer.

(1)

- ☒ **A** Cash inflow is greater than cash outflow
- ☒ **B** Costs are greater than profits
- ☒ **C** Profits are greater than costs
- ☒ **D** Cash outflow is greater than cash inflow

(iv) Which **one** of the following is a recruitment document that outlines the tasks and responsibilities of a job?

Select **one** answer.

(1)

- ☒ **A** Job description
- ☒ **B** Person specification
- ☒ **C** Application form
- ☒ **D** Curriculum vitae

To wrap its flowers *Aude Rose* buys 150 metres of wrapping paper from London, England every week at a cost of £0.46 per metre.

In October 2022 the exchange rate was £1 = €1.15

(v) Which **one** of the following is the total cost, in euros, of buying a four week supply of wrapping paper?

Select **one** answer.

(1)

- ☒ **A** €79.35
- ☒ **B** €276.00
- ☒ **C** €317.40
- ☒ **D** €396.75

Aude Rose provides flowers for large events. The most popular is a selection of traditional flowers selling for €65. The cost of making this selection of flowers is €42.

(vi) Which **one** of the following is the markup for a selection of traditional flowers?

Select **one** answer.

(1)

- ☒ **A** 54.76%
- ☒ **B** 64.62%
- ☒ **C** 182.61%
- ☒ **D** 282.61%

(b) Define the term **economies of scale**.

(1)

(c) Define the term **stakeholder**.

(1)

(d) State **one** benefit to *Aude Rose* of using just-in-time (JIT) production.

(1)

Aude Rose has fixed costs of €50 000 a year with a selling price of €50 and a variable cost of €10 per bunch of flowers sold.

(e) Calculate how many bunches of flowers *Aude Rose* will have to sell to break-even. You are advised to show your working.

(2)

..... bunches of flowers

(f) Explain **one** reason why a business might fail.

(3)

(g) Analyse the importance to Aude Anglaret of motivating her employees.

(6)

2 One of *IKEA*'s aims is to keep up to date with the changes taking place in product design and meeting customers' needs. To do this it has to introduce new and different products on a regular basis.

(a) State **one** reason why *IKEA* would employ temporary staff.

(1)

(b) State **one** financial objective *IKEA* might have.

(1)

(c) Explain **one** reason why cash flow forecasting is important to a business.

(3)

(d) Explain **one** reason why diseconomies of scale may occur.

(3)

(e) Explain **one** reason why businesses continually design new products.

(3)

IKEA constantly aims to improve the way it promotes its furniture. To do this *IKEA* is considering using the following techniques.

Option 1: above the line promotion

Option 2: below the line promotion.

(f) Justify which **one** of these two options *IKEA* should use.

(9)

4 *M&M* sells its tractors to the UK. Its tractors sell for 14 000 000 Indian Rupees.

The exchange rate is 103 Indian Rupees = £1 (GBP).

(a) Calculate, to 2 decimal places the cost of the tractor in pounds sterling (GBP). You are advised to show your working.

(2)

£.....

(b) Analyse why *M&M* wants to continue planting trees.

(6)

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(c) Evaluate why *M&M* uses cash flow forecasting to help inform decision making. You should use the information provided as well as your own knowledge of business.

(12)

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4 *PPS* is planning to introduce a new line of dog treats. **Figure 4** shows some financial information for this product.

	€
Monthly fixed costs	1 000
Variable cost per unit	3.25
Selling price	4.50

Figure 4

(a) Calculate the break-even level of output for this new line of dog treats. You are advised to show your working.

(2)

..... dog treats

(b) Analyse the importance of cash to *PPS*.

(6)

Another pet business is about to open a rival pet hotel in the village. This is the first time *PPS* has faced competition.

(c) Evaluate the importance of marketing to *PPS* so it can keep its market share. You should use the information provided as well as your own knowledge of business.

(12)

1 *TUI* is a holiday business that has over 100 years of experience. It offers customers a variety of holidays including staying in hotels, and river and ocean-going cruises. There are many extras that it offers to holiday makers including: car hire, extensions to the holiday and arranging day trips at all its holiday destinations.

The business is well known and flies its customers to over 180 destinations around the world, including Greece, Turkey and Spain. It has 1,600 travel agencies and 27 million customers. Holidays can be booked by visiting a travel agency or online.

TUI has holidays to meet the needs of all its customers: families, children, couples and those with disabilities.

(a) (i) Which **one** of the following is a non-financial objective?

Select **one** answer.

(1)

- ☒ **A** Generating wealth
- ☒ **B** Personal satisfaction
- ☒ **C** Maximising profit
- ☒ **D** Regular income

(ii) Which **one** of the following would be a benefit to a business delaying paying its suppliers?

Select **one** answer.

(1)

- ☒ **A** Improved cash flow
- ☒ **B** Increased profit
- ☒ **C** A reduction in the amount of interest paid
- ☒ **D** Improved relationship with suppliers

Jewellery For You is a jewellery business making earrings and necklaces from stones and pebbles found on local beaches. It makes 240 items a month.

Price per item	€27
Variable costs per item	€12
Fixed costs per month	€600

(iii) Which **one** of the following would be the total monthly cost for Jewellery For You?

Select **one** answer.

(1)

- ☒ **A** €924
- ☒ **B** €3 480
- ☒ **C** €6 480
- ☒ **D** €7 080

(iv) Which **one** of the following is a reason why a business would produce a cash flow forecast?

Select **one** answer.

(1)

- ☒ **A** It is a legal requirement that a business has a cash flow forecast
- ☒ **B** A cash flow forecast ensures that the business will be successful
- ☒ **C** It can help a bank decide whether it should lend money to a business
- ☒ **D** To show the profit and loss of a business in the past six months

A 7-day holiday in Thailand in October 2023 cost £998.00.

The exchange rate is £1 = 40.91 Thai Baht (THB).

(v) Which **one** of the following was the cost of the holiday in Thai Baht?

Select **one** answer.

(1)

- ☒ **A** 24.40
- ☒ **B** 1 038.91
- ☒ **C** 40 828.18
- ☒ **D** 40 869.09

(vi) Which **one** of the following is a reason why a sole trader would want to become a private limited company?

Select **one** answer.

(1)

- ☒ **A** The business can keep financial records confidential
- ☒ **B** The business will have unlimited liability
- ☒ **C** Shareholders are liable for all debts
- ☒ **D** Increased ability to raise finance

(b) Define the term **franchise**.

(1)

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(c) Define the term **profit**.

(1)

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(d) State **one** reason why *TUI* pays its employees above the minimum wage.

(1)

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TUI is charging an adult £725.92 for a week in Cyprus. If booked online there is a discount of 12.5%.

(e) Calculate the total price of a holiday for **two** adults with a 12.5% promotional discount for booking online. You are advised to show your working.

(2)

£ .....

(f) Explain **one** of the factors in Herzberg's motivational theory.

(3)

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(g) Analyse the benefits for *TUI* from including health and safety training for its employees in their induction training.

(6)

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2 (a) State **one** reason why *Starbucks* should have good communication with its customers.

(1)

(b) State **one** way *Starbucks* could follow health and safety legislation.

(1)

(c) Explain **one** reason why many manufacturing businesses use just-in-time (JIT).

(3)

(d) Explain **one** reason why it is important that businesses pay their suppliers on time.

(3)

(e) Explain **one** effect on a business if interest rates are decreased.

(3)

Starbucks wants to ensure that its employees remain with the business. To do this it is considering the following two methods:

Option 1: financial methods

Option 2: non-financial methods.

(f) Justify which **one** of these two methods *Starbucks* should choose.

(9)

SUB-TOPIC 5.3

BREAK-EVEN

8 questions in this sub-topic · 160 marks · lowest tariff first

1 *Lavender*, a Malaysian business, started with bakery, patisserie and takeaway shops. It has now developed into several other businesses. *L.café* is a self-serve café selling a variety of cakes and drinks. *L.bistro* is a casual dining place with a selection of Asian foods. *L.table* is a formal restaurant that uses high quality and organic ingredients.

(Source adapted from: https://www.lavender.com.my/about-us-c1kfx)

(a) (i) Which **one** of the following would be a source of finance that could be used for a cash flow problem?

(1)

Select **one** answer.

☒ **A** Venture capital

☒ **B** Overdraft

☒ **C** Debenture

☒ **D** Leasing

(ii) Which **one** of the following is a phase of the product life cycle?

(1)

Select **one** answer.

☒ **A** Star

☒ **B** Place

☒ **C** Maturity

☒ **D** Branding

(iii) Which **one** of the following is an example of a fixed cost for *Lavender*?

(1)

Select **one** answer.

☒ **A** Flour used in the cakes

☒ **B** Packaging used for *Lavender*'s cakes

☒ **C** Sugar used in production

☒ **D** Rent for *Lavender*'s businesses

(iv) When a business employs a new member of staff, part of their induction training would include:

(1)

Select **one** answer.

- ☒ **A** Health and safety
- ☒ **B** Total Quality Management
- ☒ **C** Off-the-job training
- ☒ **D** Government schemes

Lavender buys 150 kilograms (kgs) of yeast from Germany at a cost of €2 250.

The exchange rate is €1 = 5 Malaysian Ringgits (MYR).

(v) How much does *Lavender* pay in MYR for the yeast?

(1)

Select **one** answer.

- ☒ **A** 750
- ☒ **B** 2 250
- ☒ **C** 11 250
- ☒ **D** 337 500

Lavender calculates the cost of the cakes it makes. The weekly fixed cost is 759 MYR. The variable cost per cake is 4.70 MYR.

(vi) Calculate the total cost of selling 1,650 cakes in a week.

(1)

Select **one** answer.

- ☒ **A** 2 413.70
- ☒ **B** 3 567.30
- ☒ **C** 7 755.00
- ☒ **D** 8 514.00

(b) Define the term **short-term finance**.

(1)

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(c) Define the term **above the line promotion**.

(1)

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(d) State **one** reason *Lavender* would recruit internally.

(1)

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.....

Lavender are offering a discount of 15% if customers buy 25 cakes. Each cake costs 12 MYR.

(e) Calculate the cost of buying 25 cakes. You are advised to show your working.

(2)

..... MYR

(f) Explain **one** advantage of being a franchisee.

(3)

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(g) Analyse why customer satisfaction might be important to *Lavender*.

(6)

1 *Tata Motor Company* began trading in 1868, and is now part of a large group of companies that is estimated to be worth $100 billion. *Tata Motor Company* manufactures a wide range of cars, buses and trucks. It is India's largest maker of vehicles with manufacturing centres in many countries including Korea, Italy and the UK.

One of the main aims of *Tata Motor Company* is to produce goods that the public want and need. It is currently working on electric cars that are more environmentally friendly. *Tata Motor Company* plays an active role in community development such as building schools, houses and investing in the health and welfare of local people.

(Source adapted from: https://www.tatamotors.com/about-us/)

(a) (i) Which **one** of the following is an external source of finance?

(1)

- ☒ **A** Retained profit
- ☒ **B** Selling assets
- ☒ **C** Sales revenue
- ☒ **D** Share capital

(ii) Which **one** of the following forms of discrimination is covered by legislation?

(1)

- ☒ **A** Ability
- ☒ **B** Age
- ☒ **C** Ethical
- ☒ **D** Political

(iii) Which **one** of the following could be used to gather data for a business?

(1)

- ☒ **A** Market research
- ☒ **B** Market orientation
- ☒ **C** Market segmentation
- ☒ **D** Market place

(iv) In a break-even graph, the break-even point is when:

(1)

- ☒ **A** total costs and fixed costs are the same
- ☒ **B** fixed costs and variable costs are the same
- ☒ **C** total costs and revenue are the same
- ☒ **D** fixed costs and revenue are the same

Figure 1 gives details of one of the many suppliers of tyres to *Tata Motor Company.*

Production each month	2,400
Average price per tyre	€27
Variable costs per tyre	€12
Fixed costs per month	€6 000

Figure 1

(v) What are the monthly total costs for the business?

(1)

- ☒ **A** €8 412
- ☒ **B** €34 800
- ☒ **C** €74 400
- ☒ **D** €204 000

A customer in Germany wishes to buy a Tata Nano car from India. The cost of this vehicle is 465 000 Indian Rupees (RS). The exchange rate is €1.00 = RS78

(vi) What would the German customer pay to the nearest euro for the car?

(1)

- ☒ **A** €3 621
- ☒ **B** €4 650
- ☒ **C** €5 962
- ☒ **D** €36 270

(b) Define the term **insolvency**.

(1)

(c) Define the term **product life cycle**.

(1)

(d) State **one** reason why a *Tata Motor Company* employee could be dismissed.

(1)

In December 2016 the global vehicle sales for *Tata Motor Company* were 89,841.

In December 2017 the global vehicle sales figure was 23% higher.

(e) Calculate the global vehicle sales for *Tata Motor Company* in December 2017. You are advised to show your working.

(2)

(f) Explain **one** impact of technology on the manufacture of vehicles.

(3)

(g) Analyse the importance of good public relations for *Tata Motor Company*.

(6)

1 *The Alternative Drum School (TADS)* was set up in the wealthy area of Cricklade, England in 2008 by Ollie Tanner who had a passion for and enjoyed drumming. Ollie invested all of his savings into the drumming school. He saw the potential of being located away from other drumming schools.

Ollie promotes his business by writing columns in local papers, performing at local music festivals and by word of mouth recommendations. He has invested heavily in computer technology to allow students to produce the music they enjoy playing.

Ollie finds it difficult to maintain a good work-life balance. Ollie currently works 60 hours a week in a business that does not have reliable profits.

(a) (i) Which **one** of the following could a sole trader pay on its profits?

(1)

Select **one** answer.

- ☒ **A** Sales tax
- ☒ **B** Income tax
- ☒ **C** Corporation tax
- ☒ **D** Indirect tax

(ii) Which **one** of the following is a variable cost?

(1)

Select **one** answer.

- ☒ **A** Insurance
- ☒ **B** Rent
- ☒ **C** Salaries
- ☒ **D** Packaging

(iii) Which **one** of the following is a method of primary market research?

(1)

Select **one** answer.

- ☒ **A** Newspaper articles
- ☒ **B** Government statistics
- ☒ **C** Focus groups
- ☒ **D** Internet research

(iv) Which **one** of the following is used to calculate net cash flow?

(1)

Select **one** answer.

- ☒ **A** Total cash inflow – total cash outflow
- ☒ **B** Total cash inflow + total cash outflow
- ☒ **C** Opening balance – closing balance
- ☒ **D** Opening balance + closing balance

TADS has developed contracts with drumming schools in other countries to teach online music lessons.

An Italian drumming school has agreed that *TADS* can teach five lessons per week. Each lesson costs £15 for half an hour. The exchange rate in January 2019 was £1 = €1.15.

(v) What will the Italian drumming school pay in euros (€) for these five lessons?

(1)

Select **one** answer.

- ☒ **A** €5.75
- ☒ **B** €15.00
- ☒ **C** €75.00
- ☒ **D** €86.25

In May 2019 the exchange rate was £1 = €1.05. *TADS* continued to provide the Italian drumming school with five lessons a week.

(vi) What effect would this change in the exchange rate have on the Italian drumming school?

(1)

Select **one** answer.

- ☒ **A** A decrease in cash outflows
- ☒ **B** An increase in import costs
- ☒ **C** A decrease in revenue
- ☒ **D** An increase in the internet costs

(b) Define the term **fixed costs**.

(1)

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(c) Define the term **stakeholder**.

(1)

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(d) State **one** benefit to *TADS* of investing in computer technology.

(1)

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TADS buys a drum kit for £190 and sells it for £350.

(e) Calculate, to two decimal places, the mark up on this drum kit.

(2)

..... %

(f) Explain **one** disadvantage of being in a partnership.

(3)

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(g) Analyse the importance of location for *TADS*.

(6)

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3 (a) Define the term **remuneration**.

(1)

(b) Outline **one** reason why *NOF* would choose to use seasonal staff when harvesting its products.

(2)

NOF is looking to expand its product range by making and selling tubs of ice cream.

A tub of ice cream will sell for £2.50.

Variable costs will be £1.10 per tub of ice cream with fixed costs of £77 per day.

(c) Calculate the number of tubs of ice cream *NOF* will have to sell each day to break-even. You are advised to show your working.

(2)

.....Tubs of ice cream

(d) Analyse how useful break-even calculations can be for *NOF* when deciding whether to include ice cream in its product range.

(6)

NOF is looking to increase the number of visitors to the farm. It will need to carry out some research as to what potential visitors will want.

To do this *NOF* is considering two options:

Option 1: handing out questionnaires at local retailers

Option 2: using the internet to research other farms.

(e) Justify which **one** of these two options *NOF* should choose.

(9)

1 *The Better Toy Store (TBTS)* is a children's toy shop. *TBTS* has three shops in Singapore. Two of the shops are located in busy shopping malls and the third is located at the Jewel Changi Airport. *TBTS* has a website for customers looking to buy toys online.

TBTS selects toys to sell that are excellent for play, value, design and quality. All *TBTS* toys are environmentally friendly.

(a) (i) Which **one** of the following is a form of promotion that targets a specialised segment of the market?

Select **one** answer.

(1)

- ☒ **A** Mass marketing
- ☒ **B** Niche marketing
- ☒ **C** Market share
- ☒ **D** Market analysis

(ii) Which **one** of the following is a financial aim for a business?

Select **one** answer.

(1)

- ☒ **A** Survival
- ☒ **B** Challenge
- ☒ **C** Social objectives
- ☒ **D** Personal satisfaction

(iii) Which **one** of the following is a variable cost?

Select **one** answer.

(1)

- ☒ **A** Rent paid
- ☒ **B** Management salaries
- ☒ **C** Insurance agreed
- ☒ **D** Raw materials

(iv) Which **one** of the following is a role of the production function?

Select **one** answer.

(1)

- ☒ **A** Workforce planning
- ☒ **B** Quality control
- ☒ **C** Customer service
- ☒ **D** Staff welfare

TBTS buys its balloon packs from a local supplier for 7.20 Singapore Dollars (SGD) a pack. It sells them to customers for 16.90 SGD.

(v) Which **one** of the following is the markup on a pack of balloons?

Select **one** answer.

(1)

- ☒ **A** 7.20 %
- ☒ **B** 9.70 %
- ☒ **C** 69.84 %
- ☒ **D** 134.72 %

TBTS sells balloons in packs of four at a price of 67.60 SGD.
The exchange rate is 1 SGD = 3.05 Malaysian Ringgit (MYR).

(vi) Which **one** of the following would a customer in Malaysia pay in MYR for 4 balloon packs?

Select **one** answer.

(1)

- ☒ **A** 16.90 MYR
- ☒ **B** 22.16 MYR
- ☒ **C** 67.60 MYR
- ☒ **D** 206.18 MYR

(b) Define the term **primary sector**.

(1)

(c) Define the term **diseconomies of scale**.

(1)

(d) State **one** factor *TBTS* should consider when selecting its manufacturers.

(1)

Figure 1 is a financial extract from *TBTS* based on the sale of 160 wooden toy carts.

	SGD
Variable costs per unit	0.93
Fixed costs	555.31

Figure 1

(e) Calculate the total costs for *TBTS* of making 160 wooden toy carts. You are advised to show your working.

(2)

.....SGD

(f) Explain **one** advantage of being a sole trader.

(3)

(g) Analyse the likely impact of external factors on business decisions made by *TBTS*.

(6)

1 The *LEGO* Group is a privately-owned business in Denmark. The business was founded in 1932 by the Kristiansen family. The family still owns it. The name *LEGO* is an abbreviation of two Danish words, 'leg godt' which means 'play well'. It is now one of the world's largest manufacturers of toys with 15 factories and over 18,000 employees around the world.

LEGO manufactures toys, games and art materials for boys and girls of all ages, and products from films such as Star Wars and Harry Potter. It believes that children are the role models of the future and playing with *LEGO* can support children in a developing and complex world.

(a) (i) Which **one** of the following shows money coming in and money going out of a business?

Select **one** answer.

(1)

- ☒ **A** A mortgage
- ☒ **B** Break-even
- ☒ **C** Cash flow
- ☒ **D** Profit and loss

(ii) Which **one** of the following could a person complete when applying for a job?

Select **one** answer.

(1)

- ☒ **A** Application form
- ☒ **B** Shortlisting
- ☒ **C** Job description
- ☒ **D** Person specification

Figure 1 shows financial information for one of *LEGO*'s suppliers in Danish Krone (DKK).

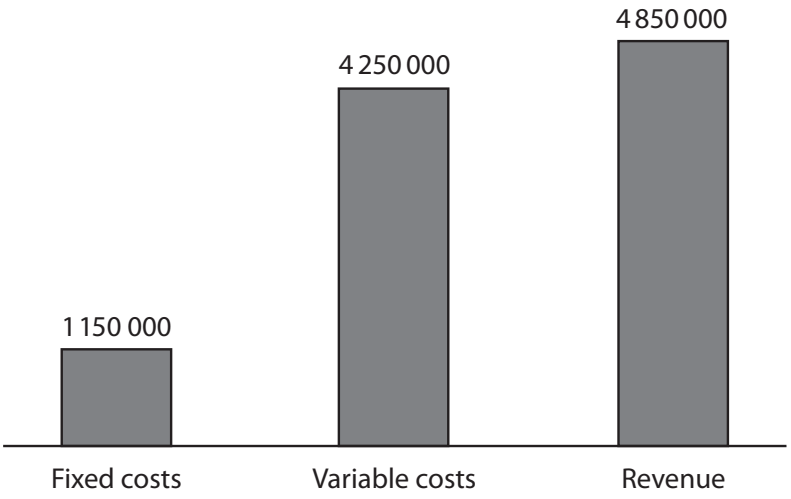


Figure 1

(iii) Which **one** of the following is the correct statement?

Select **one** answer.

(1)

- ☒ **A** Total costs of 10 250 000
- ☒ **B** Cash inflow of 3 100 000
- ☒ **C** Loss of 550 000
- ☒ **D** Profit of 600 000

(iv) Which **one** of the following is a benefit of being a franchisee?

Select **one** answer.

(1)

- ☒ **A** Being able to choose your own suppliers
- ☒ **B** Selling an established brand
- ☒ **C** Not having to pay interest on a bank loan
- ☒ **D** Having complete control of the business

LEGO's revenue in 2019 was 38.5 billion DKK. In 2020 it was 40.81 billion DKK.

(v) Which **one** of the following is the percentage increase from 2019 to 2020?

Select **one** answer.

(1)

- ☒ **A** 0.06%
- ☒ **B** 1.06%
- ☒ **C** 2.31%
- ☒ **D** 6%

(vi) Which **one** of the following functional areas could help employees who had a problem with their wage?

Select **one** answer.

(1)

- ☒ **A** Production
- ☒ **B** Finance
- ☒ **C** Marketing
- ☒ **D** Sales

(b) Define the term **break-even**.

(1)

(c) Define the term **public corporation**.

(1)

(d) State **one** benefit for *LEGO* of having a short span of control.

(1)

LEGO sells pineapple pencil holders for 148.00 DKK. The markup is 15%.

(e) Calculate, to two decimal places, the cost of making the pineapple pencil holders. You are advised to show your working.

(2)

..... DKK

(f) Explain **one** disadvantage of using questionnaires as a method of market research.

(3)

(g) Analyse the benefits for *LEGO* of being a multinational business.

(6)

3 (a) Define the term **fringe benefits**.

(1)

(b) Outline **one** way *Irsi Chocolatier* could keep customer loyalty.

(2)

Irsi Chocolatier has current assets of €26 000 and current liabilities of €14 852.

(c) Calculate, to two decimal places, the current ratio. You are advised to show your working.

(2)

.....:1

Irsi Chocolatier will need to consider many factors if it wants to introduce its new product of chocolate lollipops.

(d) Analyse the limitations for *Irsi Chocolatier* of using break-even charts to decide whether it should sell the new product.

(6)

Irsi Chocolatier is planning to expand its delivery service and opening hours. It is anticipating this will lead to an increased demand for its products. *Irsi Chocolatier* is looking to recruit and train one new employee and is considering two options:

Option 1: train the new employee on-the-job

Option 2: train the new employee off-the-job.

(e) Justify which **one** of these two options *Irsi Chocolatier* should choose.

(9)

1 *As We Grow* (*AWG*) is a clothing business in Iceland. The social objective of the business is to use natural materials, such as wool, and produce environmentally friendly products. It aims to design clothes that will last a long time, to encourage families to buy fewer clothes and reduce waste in society.

AWG's increasing product range now includes jumpers, dresses, shirts and baby clothes. These are produced in small workshops that employ family and friends. Waste is kept to a minimum and any leftover material is used to make scarves and hats. The business has one store in Iceland. It uses its website to advertise and sell its clothing online to customers in other countries. The business has received the Icelandic Design Award for its contribution to the environment.

(a) (i) Which **one** of the following is shown on the statement of financial position?

Select **one** answer.

(1)

- ☒ **A** Sales
- ☒ **B** Cost of sales
- ☒ **C** Current assets
- ☒ **D** Gross profit

(ii) Which **one** of the following is an element of the marketing mix?

Select **one** answer.

(1)

- ☒ **A** Price
- ☒ **B** Partnership
- ☒ **C** Production
- ☒ **D** Profit

A business has fixed costs of £6 000 a month. Variable costs are £5 per unit and 8,000 units are made each month.

(iii) Which **one** of the following is the total monthly cost?

Select **one** answer.

(1)

- ☒ **A** £ 6 005
- ☒ **B** £14 000
- ☒ **C** £30 000
- ☒ **D** £46 000

(iv) Which **one** of the following job roles is most likely to be associated with capital-intensive production?

Select **one** answer.

(1)

- ☒ **A** Hairdresser
- ☒ **B** Car assembly worker
- ☒ **C** Soft fruit picker
- ☒ **D** Chef

(v) Which **one** of the following is an internal source of finance?

Select **one** answer.

(1)

- ☒ **A** Overdraft
- ☒ **B** Venture capital
- ☒ **C** Retained profit
- ☒ **D** Crowdfunding

The currency of Iceland is the krona (ISK).

AWG's weekly fixed costs are 440 000 ISK and the variable cost per jumper is 2 500 ISK. Each jumper is sold for 8 000 ISK.

(vi) Which **one** of the following is the weekly break-even point?

Select **one** answer.

(1)

- ☒ **A** 8
- ☒ **B** 55
- ☒ **C** 80
- ☒ **D** 176

(b) Define the term **profit**.

(1)

(c) Define the term **span of control**.

(1)

(d) State **one** likely variable cost for *AWG*.

(1)

AWG sells a woman's jumper on its international website for $329. *AWG* had a promotional sale and offered a discount of 25% on the price of jumpers.

(e) Calculate, to two decimal places, the new price of the jumper in the promotional sale. You are advised to show your working.

(2)

$.....

(f) Explain **one** benefit to a business that operates as a sole trader.

(3)

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(g) Analyse the advantages to *AWG* of using e-commerce to sell its products.

(6)

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SUB-TOPIC 5.4

FINANCIAL DOCUMENTS

13 questions in this sub-topic · 260 marks · lowest tariff first

3 Figure 1 is an extract from *Lavender*'s Statement of Comprehensive Income. Use the information below and then answer the following questions.

	Bakery (000s MYR)	*L.café* (000s MYR)	*L.bistro* (000s MYR)
Revenue	149	75	65
Cost of sales	83	51	33
Gross profit	66	24	32
Gross profit margin	44.3%		49.2%

Figure 1

(a) Define the term **current liabilities**.

(1)

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(b) Outline **one** reason why the revenue is higher for the Bakery shops rather than for *L.café* and *L.bistro*.

(2)

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(c) Using Figure 1, calculate the gross profit margin for *L.café*. You are advised to show your workings.

(2)

..... %

(d) Analyse how the Statement of Comprehensive Income can be used by *Lavender* when considering its expansion.

(6)

To expand by opening new outlets, *Lavender* will need to know what its customers' needs and wants are.

In order to do this, *Lavender* are considering the following **two** options:

Option 1: primary market research

Option 2: secondary market research.

(e) Justify which **one** of these two methods *Lavender* should use.

(9)

3 The Chairman of *Tata Motor Company* works closely with the Finance Department to ensure that the company maintains its financial position. **Figure 2** shows the revenue for *Tata Motor Company*, 2011–2017.

Year	US$ (millions)
2011	18 441
2013	28 508
2015	39 737
2017	42 839

Figure 2

(a) Define the term **revenue**.

(1)

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(b) Outline **one** reason why *Tata Motor Company* uses overdrafts.

(2)

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(c) Calculate to 2 decimal places, the percentage increase in revenue from 2011 to 2017. You are advised to show your working.

(2)

.....%

(d) Analyse how *Tata Motor Company* could use the financial information in **Figure 2**.

(6)

Tata Motor Company gathers data to help it promote its vehicles. It is considering **two** options:

Option 1: primary research

Option 2: secondary research.

(e) Justify which **one** of these two options *Tata Motor Company* should use.

(9)

1 In 1985 *Emirates* started its airline business with just two aircraft. It is now a well-known airline with over 265 aircraft flying to over 180 destinations around the world.

Emirates has won many awards for service and reliability. Until 2016 passengers rated *Emirates* the leading airline to travel with. However, in 2017 its rating dropped from first to fourth.

(a) (i) Which **one** of the following only applies to a public limited company?

(1)

Select **one** answer.

- ☒ **A** Controlled by the government
- ☒ **B** Shares are traded on the stock exchange
- ☒ **C** A maximum of 50 shareholders
- ☒ **D** Restriction in the transfer of shares

(ii) Which **one** of the following departments would send an invoice to a supplier?

(1)

Select **one** answer.

- ☒ **A** Human resources
- ☒ **B** Marketing
- ☒ **C** Finance
- ☒ **D** Production

Figure 1 shows the annual total revenue of £1 200 000 for five businesses.

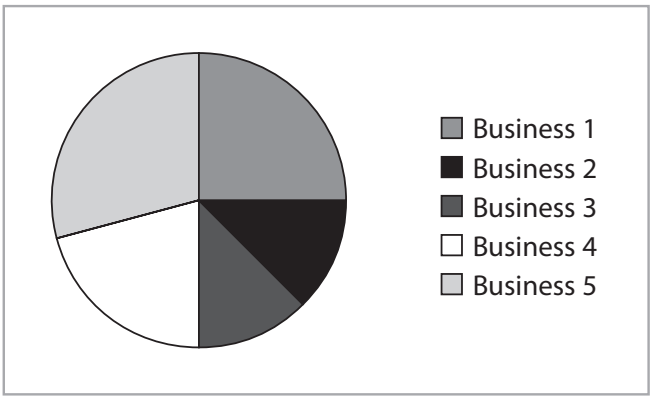


Figure 1

Business 1	**£300 000**
Business 2	**£150 000**
Business 3	**£150 000**
Business 4	**£250 000**
Business 5	**£350 000**

(iii) What is the market share for Business 2?

(1)

Select **one** answer.

- ☒ **A** 12.5%
- ☒ **B** 20.8%
- ☒ **C** 25.0%
- ☒ **D** 29.2%

(iv) Which **one** of the following describes an overdraft?

(1)

Select **one** answer.

- ☒ **A** A method of borrowing regular amounts
- ☒ **B** More funds taken out than are in the account
- ☒ **C** Money lent by many people to a business
- ☒ **D** A loan due for repayment in five years

Figure 2 Extract from *Emirates* financial reports, 2015–2017

	2016–2017 Dirham millions (AED)	2015–2016 Dirham millions (AED)
Total assets	133 281	129 989
Cash assets	19 066	23 453

Figure 2

(v) What is the percentage change in total assets between 2015–2016 and 2016–2017?

(1)

Select **one** answer.

- ☒ **A** –18.70%
- ☒ **B** –2.53%
- ☒ **C** 2.47%
- ☒ **D** 2.53%

(vi) Which **one** of the following would be part of recruiting a new employee?

(1)

Select **one** answer.

- ☒ **A** Business plan
- ☒ **B** Induction training
- ☒ **C** Job description
- ☒ **D** Job enrichment

(b) Define the term **social enterprise**.

(1)

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(c) Define the term **globalisation**.

(1)

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(d) State **one** reason why *Emirates* uses competition pricing.

(1)

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Figure 3 shows part of a cash flow forecast for *Emirates*.

	June 2017 Dirham billions (AED)
Opening balance	44
Cash inflow	26
Cash outflow	30
Net cash flow	
Closing balance	40

Figure 3

(e) Calculate the net cash flow for June 2017. You are advised to show your working.

(2)

..... billions AED

(f) Explain **one** of the factors in Herzberg's motivational theory.

(3)

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(g) Analyse the likely benefits to *Emirates* of using financial information when making business decisions.

(6)

1 *Hans Raj Mahajan Worldwide (HRMW)* is an established manufacturer of sports equipment and sportswear in India. It is a family-run business, which started trading in 1925 and since then has grown to become an established business. Its products are exported across the world. These include footballs, boxing gloves, hockey sticks and sports clothing.

(a) (i) Which **one** of the following is the meaning of production?

Select **one** answer.

(1)

- ☒ **A** Provision of services
- ☒ **B** Exchange of goods
- ☒ **C** Extraction of raw materials
- ☒ **D** Manufacture of finished goods

(ii) Which **one** of the following is a benefit to a person of buying a franchise?

Select **one** answer.

(1)

- ☒ **A** The person can buy supplies from any supplier
- ☒ **B** The person is given support from an established business
- ☒ **C** The person is guaranteed a set wage
- ☒ **D** The person shares their profits with the franchisee

A football that costs 1 060 Indian Rupees is sold for 1 600 Indian Rupees.

(iii) Which **one** of the following would be the markup percentage?

Select **one** answer.

(1)

- ☒ **A** 6.63%
- ☒ **B** 15.09%
- ☒ **C** 33.75%
- ☒ **D** 50.94%

The bank interest rate in India changed from 4.5% to 6.0%.

(iv) Which **one** of the following could affect a business because of this change?

Select **one** answer.

(1)

- ☒ **A** Higher loan repayments
- ☒ **B** Increase in labour costs
- ☒ **C** Improved net cash flow
- ☒ **D** Increase in sales

(v) Which **one** of the following is a feature of a public corporation?

Select **one** answer.

(1)

- ☒ **A** It is owned by a board of directors
- ☒ **B** It is funded by government
- ☒ **C** It aims to maximise profit
- ☒ **D** It is not accountable to anyone

Figure 1 shows the cash flow of a business for a month.

	(£)
Opening balance	1 020 000
Cash inflow	360 000
Cash outflow	400 000

Figure 1

(vi) Which **one** of the following is the closing balance for the business at the end of the month?

Select **one** answer.

(1)

- ☒ **A** –£40 000
- ☒ **B** £40 000
- ☒ **C** £980 000
- ☒ **D** £1 060 000

(b) Define the term **commission**.

(1)

(c) Define the term **revenue**.

(1)

(d) State **one** possible reason why *HRMW* has a short span of control.

(1)

Figure 2 shows *HRMW*'s estimated revenues.

Year	Revenue in Rupee (000)
2020–2021	85 083
2021–2022	92 322

Figure 2

(e) Calculate, to two decimal places, the percentage increase from 2020–2021 to 2021–2022. You are advised to show your working.

(2)

.....%

(f) Explain **one** reason why a business would sponsor an event.

(3)

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(g) Analyse the benefit to *HRMW* of branding the products it sells.

(6)

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4 The Indian Government has said that *HRMW* is one of the top 10 businesses in India. *HRMW* has been given more than 50 awards for its performance in exporting and for the quality of its products.

Figure 3 shows *HRMW*'s possible financial situation.

	Rupees (000)
Current assets	64 650
Inventory	42 450
Current liabilities	54 550

Figure 3

(a) Calculate, to two decimal places, the acid test ratio for *HRMW*.
You are advised to show your workings.

(2)

(b) Analyse why a bank would be interested in *HRMW*'s financial documents if it were to apply for a loan to develop new sports products.

(6)

(c) Evaluate the factors that make a business, such as *HRMW*, successful. You should use the information provided as well as your own knowledge of business.

(12)

1 *Artify Studio* was set up in 2015 by Tay Hui Jae in the busy Kampong Glam area of Singapore. *Artify Studio*'s aim is to have 'a communal art space where people can come together and paint, where people would be given as much creative freedom as they would have if they were in their own spaces.'

Artify Studio provides many services including its popular Liberty Art Jam where customers can paint as well as listen to music. The studio offers a Corporate Art Jam and Regular Kids Classes. Customers can purchase art materials after attending the studio.

Artify Studio is a profit-making organisation with a social element. It employs seven part-time people, all of whom are art enthusiasts.

(a) (i) Which **one** of the following functional areas is responsible for the recruitment of new employees?

(1)

Select **one** answer.

- ☒ **A** Finance
- ☒ **B** Marketing
- ☒ **C** Production
- ☒ **D** Human Resources

(ii) Which **one** of the following is an internal source of finance?

(1)

Select **one** answer.

- ☒ **A** Overdraft
- ☒ **B** Selling assets
- ☒ **C** Venture capital
- ☒ **D** Crowdfunding

(iii) Which **one** of the following is a main feature of the statement of comprehensive income?

(1)

Select **one** answer.

- ☒ **A** Current assets
- ☒ **B** Non-current liabilities
- ☒ **C** Cost of sales
- ☒ **D** Capital employed

(iv) Which **one** of the following is a political factor that can affect a business?

(1)

Select **one** answer

- ☒ **A** Taxation
- ☒ **B** Global warming
- ☒ **C** Habitat destruction
- ☒ **D** Part-time workers

Running the Liberty Art Jam costs *Artify Studio* S$10 Singapore Dollars (SGD). People attending the course are charged S$35.

(v) What markup has *Artify Studio* applied to this service?

(1)

Select **one** answer

- ☒ **A** 35%
- ☒ **B** 45%
- ☒ **C** 250%
- ☒ **D** 350%

Artify Studio imports sets of acrylic paint from Malaysia at a cost of 8.50 Malaysian Ringgit (MYR) per set.

The exchange rate is 1 MYR = 0.33 S$ (SGD).

(vi) Which **one** of the following would *Artify Studio* pay in SGD if they imported 15 sets of paints?

(1)

Select **one** answer

- ☒ **A** 2.81
- ☒ **B** 4.95
- ☒ **C** 15.00
- ☒ **D** 42.08

(b) Define the term **diseconomies of scale**.

(1)

(c) Define the term **job production**.

(1)

(d) State **one** financial method of motivation *Artify Studio* could use to motivate its employees.

(1)

Artify Studio offers a 12% discount to parents if they book the 'Duo Parent and Child Art Camp' and the 'Children's Illustration Workshop' at the same time. The combined price for both courses before being discounted is S$285.

(e) Calculate the discounted cost of booking both courses at the same time.

You are advised to show your working.

(2)

S$ .....

(f) Explain **one** measure a business can use to judge its success.

(3)

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(g) Analyse the effect of a decrease in interest rates on *Artify Studio*.

(6)

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3 *LEGO* ensures its employees are fully prepared to carry out the tasks they are employed for. It looks after and encourages its employees to develop and improve their own skills.

(a) Define the term **delegation**.

(1)

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(b) Outline **one** benefit to *LEGO* of being a privately-owned family business.

(2)

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An employee working in the offices earns 150 000 DKK. In 2020 *LEGO* gave its employees a 4.5% pay increase.

(c) Calculate the employee's new salary. You are advised to show your working.

(2)

..... DKK

(d) Analyse how *LEGO* could use a Statement of Comprehensive Income when considering the development of new toys.

(6)

Ensuring that all employees are fully trained is important to *LEGO*. *LEGO* makes sure that all employees are fully trained and skilled to carry out the work. All employees have induction training when they start at *LEGO*. Additional training is undertaken by employees as they progress through the business. *LEGO* is considering the following two options to carry out this additional training.

Option 1: on-the-job training

Option 2: off-the-job training.

(e) Justify which **one** of these two options *LEGO* should choose.

(9)

4 **Figure 2** is an extract from *Aude Rose*'s Statement of Comprehensive Income.

Sales	€62 400
Gross profit	€45 024
Cost of sales	€17 376

Figure 2

(a) Calculate, to two decimal places, the gross profit margin. You are advised to show your working.

(2)

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(b) Analyse factors that *Aude Rose* might consider when measuring the success of its business.

(6)

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(c) Evaluate the usefulness of financial documents to help *Aude Rose* when deciding to open a second shop. You should use the information provided as well as your own knowledge of business.

(12)

4 *IKEA* continually reviews the products it makes to meet the demands of its customers. Changing the design of bedroom furniture to meet the needs of a couple setting up home or of parents refurnishing their children's bedroom.

Figure 3 shows the value of *IKEA*'s inventory for 2019 and 2020.

Year	Inventory € (billions)
2019	4.3
2020	3.7

Figure 3

(a) Calculate, to two decimal places, the percentage decrease in inventories from 2019 to 2020. You are advised to show your working.

(2)

.....%

(b) Analyse why *IKEA* uses statements of comprehensive income to assess its business performance.

(6)

IKEA prides itself on knowing the tastes and demands of its customers. This means it can provide the best experience possible when customers are shopping. It offers inspirational home furnishing tutorials and workshops to help customers create the perfect home.

(c) Evaluate the importance to *IKEA* of using demographic segmentation when targeting its customers. You should use the information provided as well as your own knowledge of business.

(12)

1 Most people recognise Heinz for the phrase '57 varieties' even though it now produces many more than the original 57 varieties. H J Heinz, the founder of the Heinz business, believed the phrase sounded lucky.

Kraft Heinz is a world-wide producer of food products. It was formed from the merger of Kraft Foods and Heinz in 2015. This created the third largest food and drinks business in the USA and the fifth largest food and drinks business in the world.

Kraft Heinz has over 24 different brands, including Greenseas in Australia and Nutri+Plus in New Zealand. America has the largest number of brands from Maxwell House to Cool Whip. *Kraft Heinz* produces many different products including tomato sauce, 'Mac&Cheese', pasta and its famous baked beans that are used and eaten by many people.

Kraft Heinz uses many methods to advertise its products. These include posters, billboards and leaflets in supermarkets.

(a) (i) Which **one** of the following is an example of primary market research?

Select **one** answer.

(1)

- ☒ **A** Published government statistics
- ☒ **B** Magazine article
- ☒ **C** Internet research
- ☒ **D** Focus groups

(ii) Which **one** of the following is an example of external communication?

Select **one** answer.

(1)

- ☒ **A** A presentation by the chairperson to its employees
- ☒ **B** Sending a customer details of a special offer
- ☒ **C** A departmental meeting
- ☒ **D** Training sessions for new employees

On 13 September 2022 the share price of *Kraft Heinz* in America at 10.00 am was $36.55 and at 4.00 pm it was $35.06.

(iii) Which **one** of the following is the percentage decrease in the share price?

Select **one** answer.

(1)

- ☒ **A** 1.49%
- ☒ **B** 1.96%
- ☒ **C** 4.08%
- ☒ **D** 4.25%

Kraft Heinz uses price promotions to encourage customers to purchase more of its products. The price of a tin of baked beans in the US is $0.54. If 12 tins are purchased the price is reduced by 12.5%.

(iv) Which **one** of the following is the price of 12 tins of baked beans with the 12.5% promotional price discount?

Select **one** answer.

(1)

- ☒ **A** $5.67
- ☒ **B** $6.48
- ☒ **C** $56.25
- ☒ **D** $81.00

(v) Which **one** of the following would be a long-term source of finance for a sole trader?

Select **one** answer.

(1)

- ☒ **A** Trade credit
- ☒ **B** Overdraft
- ☒ **C** Personal savings
- ☒ **D** Share capital

(vi) Which **one** of the following is the break-even point?

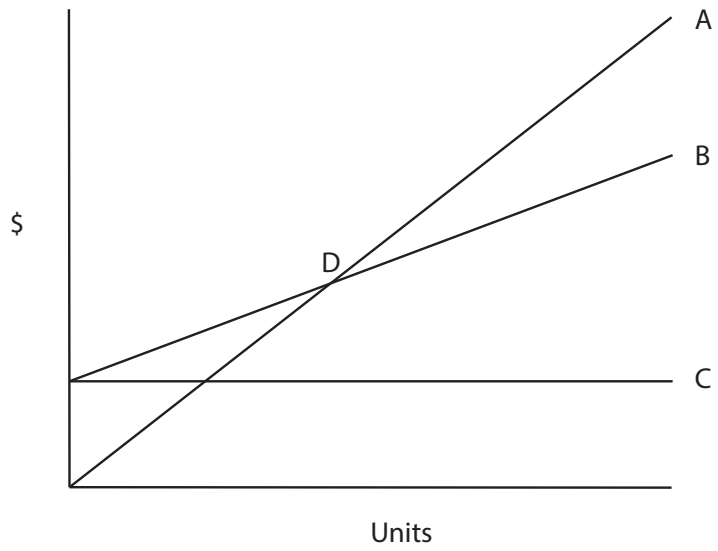


Figure 1

Select **one** answer.

(1)

- ☒ **A**
- ☒ **B**
- ☒ **C**
- ☒ **D**

(b) Define the term **labour intensive production**.

(1)

(c) Define the term **trade bloc**.

(1)

(d) State **one** reason why *Kraft Heinz* prefers to train its employees using on-the-job training.

(1)

In North America, a *Kraft Heinz* employee is paid a salary of $15 750. If employees reach their production target for 'Mac&Cheese' they receive a bonus of 14%.

(e) Calculate the total pay an employee would receive once the bonus is added to their salary. You are advised to show your working.

(2)

$.....

(f) Explain **one** purpose for a business of the statement of financial position.

(3)

Kraft Heinz is introducing a new variety of tomato sauce and has made changes to the recipe for its Mac&Cheese.

(g) Analyse the benefits to *Kraft Heinz* of using social media to collect market research data.

(6)

1 *Saha* is a small business in Türkiye (formerly known as Turkey) that opened in 2020 with 15 employees. It designs and manufactures robots which are used in hospitals, hotels and restaurants. In hospitals its robots are used to move medical supplies between departments. In hotels and restaurants, the robots are used to welcome customers as they arrive and deliver food and drinks to hotel rooms and restaurant tables. *Saha* provides a seven day a week customer service for all businesses buying its robots.

Many new businesses are entering the global robot market and are competing for market share. Competitors in Türkiye include *NIO, Zoox* and *Vention*.

Saha has ambitious growth plans and has started to design robots that will be used in the home to help people with cleaning, shopping, security and entertainment. It aims to become a multinational business within five years to manufacture robots in all continents of the world.

(a) (i) Which **one** of the following is a financial method used to motivate employees?

Select **one** answer.

(1)

- ☒ **A** Job enrichment
- ☒ **B** Job rotation
- ☒ **C** Autonomy
- ☒ **D** Remuneration

(ii) Which **one** of the following is an example of secondary research?

Select **one** answer.

(1)

- ☒ **A** Government reports
- ☒ **B** Surveys
- ☒ **C** Focus groups
- ☒ **D** Observations

(iii) Which **one** of the following would increase the break-even point?

Select **one** answer.

(1)

- ☒ **A** A decrease in the fixed costs
- ☒ **B** An increase in the variable costs
- ☒ **C** An increase in the selling price
- ☒ **D** A decrease in total costs

(iv) Which **one** of the following is provided by a person applying for a job?

Select **one** answer.

(1)

- ☒ **A** Job description
- ☒ **B** Curriculum vitae (CV)
- ☒ **C** Personal specification
- ☒ **D** Disciplinary and grievance procedures

Figure 1 shows an extract from a statement of comprehensive income in 2023.

	£
Sales	90 000
Cost of sales	11 000
Gross profit	79 000
Operating expenses	18 000

Figure 1

(v) Which **one** of the following is the operating profit in 2023?

Select **one** answer.

(1)

- ☒ **A** £29 000
- ☒ **B** £79 000
- ☒ **C** £72 000
- ☒ **D** £61 000

The currency of Türkiye is the Turkish lira (TRY).

In 2021 the cost of material for one robot was 80 000 TRY.

In 2023 the cost of material for one robot was 92 000 TRY.

(vi) Which **one** of the following is the percentage change in the cost of material for one robot between 2021 and 2023?

Select **one** answer.

(1)

- ☒ **A** 1.30%
- ☒ **B** 13.04%
- ☒ **C** 15.00%
- ☒ **D** 86.96%

(b) Define the term **stakeholder**.

(1)

(c) Define the term **social enterprise**.

(1)

(d) State **one** non-current asset that *Saha* is likely to have.

(1)

The price of a battery pack for a *Saha* robot is $90 each.

In 2023 it sold five battery packs every month.

(e) Calculate the total revenue from the sale of all battery packs sold by *Saha* in 2023. You are advised to show your working.

(2)

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(f) Explain **one** advantage to a business of having limited liability.

(3)

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(g) Analyse **two** methods of primary research that could be of benefit to *Saha* when developing its products.

(6)

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1 Gianni Polvani opened his first gym, *Four Fitness*, over 20 years ago. He now employs 14 highly-qualified gym instructors in his two gyms. Both gyms are in Italy, one in Arezzo and the other in Castiglion Fiorentino.

The gym encourages its members to take part in all the physical activities it offers. Members can take part in a number of social activities as well.

Four Fitness has a website which is primarily for information only. The website details such things as opening hours and descriptions of available activities. It cannot be used to book activities or access personal training plans.

(a) (i) Which **one** of the following is a debt payable within 12 months?

Select **one** answer.

(1)

- ☒ **A** Current asset
- ☒ **B** Current liability
- ☒ **C** Non-current asset
- ☒ **D** Non-current liability

(ii) Which **one** of the following is a pricing strategy where a business sets an initial high price for a product new to the market?

Select **one** answer.

(1)

- ☒ **A** Skimming
- ☒ **B** Competition
- ☒ **C** Penetration
- ☒ **D** Cost plus

(iii) Which **one** of the following is a role of the human resources department?

Select **one** answer.

(1)

- ☒ **A** Reducing costs
- ☒ **B** Designing products
- ☒ **C** Customer service
- ☒ **D** Recruiting employees

(iv) Which **one** of the following is a benefit to a shareholder of having limited liability?

Select **one** answer.

(1)

- ☒ **A** Choosing who can buy shares
- ☒ **B** May build a better relationship with suppliers
- ☒ **C** Own possessions are not at risk
- ☒ **D** Employee motivation will increase

Four Fitness is considering introducing sports drinks to sell to its customers and to do this it needs to hire a fridge to store the sports drinks. To decide whether it is a good business decision, it needs to work out the break-even level of output.

Figure 1 shows some financial data to assist this decision.

	€
Fixed costs	280
Variable cost per unit	0.70
Revenue per unit	1.50

Figure 1

(v) Which **one** of the following is the break-even level of output?

Select **one** answer.

(1)

- ☒ **A** 280
- ☒ **B** 350
- ☒ **C** 420
- ☒ **D** 616

Figure 2 is a financial extract from a gym equipment business that supplies *Four Fitness*.

	€
Total revenue	132 165
Total labour costs	54 000
Total material costs	17 000
Other costs	17 400

Figure 2

(vi) Which **one** of the following statements from **Figure 2** correctly applies to the gym equipment business?

Select **one** answer.

(1)

- ☒ **A** It made a loss of €88 400
- ☒ **B** It made a loss of €61 165
- ☒ **C** It made a profit of €43 765
- ☒ **D** It made a profit of €78 165

(b) Define the term **trade bloc**.

(1)

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(c) Define the term **job production**.

(1)

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(d) State **one** reason why *Four Fitness* would pay its employees more than the minimum wage.

(1)

As part of its 'social activities' *Four Fitness* is planning an evening event promoting healthy eating and living. The price of a ticket is €35. *Four Fitness* members will be given a 7% discount.

(e) Calculate the total price if five *Four Fitness* members attend the event. You are advised to show your working.

(2)

€ .....

(f) Explain **one** impact to a business of providing fringe benefits to employees.

(3)

Gianni Polvani's span of control is 14.

(g) Analyse the effectiveness of the wide span of control used by Gianni Polvani.

(6)

2 *Rabanne* aims to be the best provider of fragrances for men and women throughout the world. Therefore, it uses a range of methods to make sure it will achieve this aim.

(a) State **one** reason why *Rabanne* ensures that all its employees have job enrichment opportunities.

(1)

(b) State **one** way *Rabanne* could measure its success as a business.

(1)

(c) Explain **one** reason why some businesses fail.

(3)

(d) Explain **one** reason why a business would use targeted advertising online to promote itself.

(3)

(e) Explain **one** reason why businesses use statements of comprehensive income when making decisions.

(3)

Rabanne is finding that communicating with its employees around the world is becoming more difficult. Employees are also finding problems in communicating with each other.

Rabanne is considering the following two options to help improve communication within the business:

Option 1: communicate all information through text messaging/email

Option 2: hold weekly meetings.

(f) Justify which **one** of these two options *Rabanne* should choose.

(9)

SUB-TOPIC 5.5

RATIO ANALYSIS

11 questions in this sub-topic · 220 marks · lowest tariff first

1 *Backyard Shoez* is a retail business located in Nairobi, Kenya. It sells a wide range of shoes, handbags and accessories for ladies only. *Backyard Shoez* has three shops in Nairobi. The shops are located in a busy shopping centre where there are other shoe shops.

(Source adapted from: https://backyardshoez.co.ke/)

(a) (i) Which **one** of the following is a method of secondary market research?

(1)

Select **one** answer.

☒ **A** Questionnaires

☒ **B** Government reports

☒ **C** Surveys

☒ **D** Focus groups

(ii) Which **one** of the following could be a financial objective for the owners of *Backyard Shoez*?

(1)

Select **one** answer.

☒ **A** Personal satisfaction

☒ **B** Increased production quality

☒ **C** Increased market share

☒ **D** Loyal employees

(iii) Which **one** of the following is an external source of finance for the owner of a business?

(1)

Select **one** answer.

☒ **A** Bank loan

☒ **B** Retained profit

☒ **C** Personal savings

☒ **D** Selling assets

(iv) Which functional area would be responsible for quality control?

(1)

Select **one** answer.

- ☒ **A** Marketing
- ☒ **B** Human Resources
- ☒ **C** Production
- ☒ **D** Administration

In February 2018 *Backyard Shoez* imported 50 handbags from Italy. Each handbag cost them €20.

The exchange rate In February 2018 was €1 = 124.48 Kenyan Shillings (Ks).

(v) How much did *Backyard Shoez* have to pay in Kenyan Shillings for each handbag imported in February 2018?

(1)

Select **one** answer.

- ☒ **A** 2 489.60
- ☒ **B** 6 224.00
- ☒ **C** 24 896.00
- ☒ **D** 124 480.00

In September 2018 the exchange rate was €1 = 117.79 Ks.

(vi) What effect would this exchange rate have on *Backyard Shoez* if the cost of an imported handbag remained at €20?

(1)

Select **one** answer

- ☒ **A** Import costs would be unchanged
- ☒ **B** Net cash flow would improve
- ☒ **C** The price of the handbags in euros would rise
- ☒ **D** The cost of importing a handbag would fall

(b) Define the term **stakeholder**.

(1)

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(c) Define the term **quantitative data**.

(1)

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(d) State **one** method *Backyard Shoez* could use for on-the-job training.

(1)

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Figure 1 is an extract from the statement of Profit or Loss Account of Backyard Shoez.

	Ks
Revenue	570 000
Cost of goods sold	67 500
Direct labour	2 000
Total cost of sales	69 500
Gross profit	500 500

Figure 1

(e) Calculate the gross profit margin to 2 decimal places. You are advised to show your working.

(2)

.....%

(f) Explain **one** way a business could increase its **gross profit margin**.

(3)

(g) Analyse the importance to *Backyard Shoez* of satisfying customer needs.

(6)

4 *Backyard Shoez* buys children's shoes for 2 400 Ks and sells them for 3 200 Ks.

(a) Calculate the markup on these shoes. You are advised to show your working.

(2)

.....%

(b) Analyse the usefulness of profitability ratios to *Backyard Shoez*.

(6)

(c) Evaluate the importance of primary market research to *Backyard Shoez*. You should use the information provided as well as your own knowledge of business.

(12)

1 *Nantgwynfaen Organic Farm (NOF)* is a farm growing a range of fruit and vegetables. It has a farm shop and offers accommodation with breakfast. It was set up by Amanda and Ken Edwards in West Wales, UK.

NOF supports farmers by selling local organic produce in its farm shop. The produce from the farm shop is served to the visitors staying overnight at the farm.

NOF is committed to being environmentally friendly by recycling, avoiding the use of packaging and reducing the use of electricity.

(a) (i) Which **one** of the following is an external source of finance?

(1)

Select **one** answer.

☒ **A** Personal savings

☒ **B** Retained profit

☒ **C** Bank loan

☒ **D** Selling assets

(ii) Which **one** of the following is the name of a pricing strategy where a business sets a high price for a new product in the market?

(1)

Select **one** answer.

☒ **A** Penetration

☒ **B** Skimming

☒ **C** Competition

☒ **D** Promotional

(iii) Which **one** of the following types of discrimination is protected by legislation?

(1)

Select **one** answer.

☒ **A** Age

☒ **B** Ability

☒ **C** Social

☒ **D** Ethical

(iv) Which **one** of the following is a document employers would send to potential employees?

(1)

Select **one** answer.

- ☒ **A** Curriculum vitae
- ☒ **B** Letter of application
- ☒ **C** Newspaper advertisement
- ☒ **D** Person specification

NOF imports dried fruit from France. A kilogram (kg) costs €12.84.

The exchange rate is £1 (Pound sterling) = €1.16 (Euro).

(v) Which **one** of the following would *NOF* pay for 1kg of dried fruit in pounds sterling?

(1)

Select **one** answer.

- ☒ **A** £1.16
- ☒ **B** £11.07
- ☒ **C** £12.84
- ☒ **D** £14.00

NOF buys honey from a local farm for £1.60 a jar and sells it to customers for £3.60.

(vi) What is the markup on a jar of honey?

(1)

Select **one** answer

- ☒ **A** 1.6%
- ☒ **B** 2%
- ☒ **C** 125%
- ☒ **D** 250%

(b) Define the term **profit**.

(1)

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(c) Define the term **non-current liabilities**.

(1)

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(d) State **one** reason why *NOF* segments its target market by income.

(1)

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Figure 1 is an extract from *NOF*'s statement of comprehensive income.

	£000s
Revenue	160
Cost of sales	70
Gross profit	90
Other operating expenses	10

Figure 1

(e) Calculate the operating profit margin. You are advised to show your working.

(2)

.....%

(f) Explain **one** strategy a small business might use to extend the product life cycle of one of its products.

(3)

(g) Analyse the importance of marketing to *NOF*.

(6)

which had new photographic technology).

1 (a) (i) Which **one** of the following is an advantage of primary market research?

(1)

Select **one** answer.

- ☒ **A** It is a more up to date method of research
- ☒ **B** It is less time-consuming than secondary research
- ☒ **C** It is cheaper than other types of market research
- ☒ **D** It is only done by market-research agencies

(ii) Which **one** of the following is a financial objective?

(1)

Select **one** answer.

- ☒ **A** Personal satisfaction
- ☒ **B** Market share
- ☒ **C** Independence
- ☒ **D** Control

Figure 1 shows selected financial information for a pottery business.

Number of ceramic bowls sold per day	200
Price per bowl	£12.00
Variable cost per bowl	£3.00
Fixed costs per day	£600

Figure 1

(iii) Which **one** of the following is the total revenue for a day?

(1)

Select **one** answer.

- ☒ **A** £600
- ☒ **B** £1 800
- ☒ **C** £2 400
- ☒ **D** £7 200

(iv) Which **one** of the following would be a disadvantage for a partner in a partnership?

(1)

Select **one** answer.

- ☒ **A** Sharing the workload
- ☒ **B** Liability for all debts
- ☒ **C** Access to more capital
- ☒ **D** Sharing skills

Huawei's brand value for 2018 was $7.6 billion. *Huawei* plans to increase its brand value by 14% in 2019.

(v) What would be the brand value in 2019?

(1)

Select **one** answer.

- ☒ **A** $6.20 billion
- ☒ **B** $7.74 billion
- ☒ **C** $8.66 billion
- ☒ **D** $10.64 billion

(vi) Which **one** of the following is a source of long-term finance?

(1)

Select **one** answer.

- ☒ **A** Overdraft
- ☒ **B** Sales revenue
- ☒ **C** Trade credit
- ☒ **D** Bank loan

(b) Define the term **sole trader**.

(1)

(c) Define the term **demographics**.

(1)

(d) State **one** reason why *Huawei* may use share capital as a source of finance.

(1)

Figure 2 is part of the statement of comprehensive income for *Huawei* in 2018.

	(CNY) million
Revenue	721 202
Operating profit	73 287

Figure 2

(e) Calculate, to two decimal places, the operating profit margin for *Huawei*. You are advised to show your working.

(2)

..... %

(f) Explain **one** advantage for a business of using **sponsorship**.

(3)

(g) Analyse the benefits for *Huawei* of locating its factories near to its labour sources.

(6)

4 *TBTS* lets customers sign up for a Very Important Person (VIP) membership on its website. The website gives VIP members special rates and exclusive offers.

TBTS sells dinosaur toys for 22.80 SGD. VIP members get a discount of 15%.

(a) Calculate the total cost to a VIP member of buying 17 dinosaur toys.
You are advised to show your working.

(2)

.....SGD

Figure 2 shows the acid test ratios for *TBTS*.

2018	2019	2020
0.75	0.87	0.88

Figure 2

(b) Analyse the usefulness to *TBTS* of the acid test ratio.

(6)

(c) Evaluate the importance of good internal and external communication to *TBTS*. You should use the information provided as well as your own knowledge of business.

(12)

3 (a) Define the term **non-current assets**.

(1)

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(b) Outline **one** disadvantage to *Can Culleretes* of increasing the amount of inventory it holds.

(2)

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Figure 2 is an extract of financial information from *Can Culleretes*.

Sales revenue	€19 220
Cost of sales	€14 720
Gross profit	€4 500

Figure 2

(c) Calculate, to 2 decimal places, the gross profit margin. You are advised to show your working.

(2)

.....%

(d) Analyse the impact of customers using social media to review *Can Culleretes*.

(6)

Can Culleretes is planning to introduce a new range of desserts. To do this it would have to recruit a new dessert chef.

Can Culleretes is considering two options:

Option 1: offer the new chef a permanent contract

Option 2: offer the new chef a temporary contract.

(e) Justify which **one** of these two options *Can Culleretes* should choose.

(9)

1 *IKEA* is a well-known home furniture retailer with stores throughout the world. It was started in 1943 by Ingvar Kamprad when he was given some money by his father for doing well at school. He wanted to produce furniture at a price that people could afford to buy.

He realised that transporting furniture to customers was difficult as goods were often damaged. He developed flat packs to avoid damage. A flat pack contained all the materials needed to self-assemble a table, a chair or a bed.

All *IKEA* stores are run as franchises.

(a) (i) Which **one** of the following is a financial business objective?

Select **one** answer.

(1)

- ☒ **A** Challenge
- ☒ **B** Social objectives
- ☒ **C** Survival
- ☒ **D** Personal satisfaction

(ii) Which **one** of the following is an advantage to a business of using venture capital?

Select **one** answer.

(1)

- ☒ **A** It decreases access to other sources of finance
- ☒ **B** It keeps ownership in the business
- ☒ **C** It improves public relations
- ☒ **D** It can receive expert advice

A Canadian supplier of timber charges *IKEA* $19.75 Canadian Dollars (CAD) per load.

The exchange rate is $1 CAD = 6.58 Swedish Krona (SEK).

(iii) Which **one** of the following would be the cost to *IKEA* for 1,000 loads in Swedish Krona?

Select **one** answer.

(1)

- ☒ **A** 151.98 SEK
- ☒ **B** 3 001.52 SEK
- ☒ **C** 19 750.00 SEK
- ☒ **D** 129 955.00 SEK

An *IKEA* dining table costs *IKEA* 3 800 SEK to make. The table sells for 4 400 SEK.

(iv) Which **one** of the following is the correct markup?

Select **one** answer.

(1)

- ☒ **A** 1.16%
- ☒ **B** 13.64%
- ☒ **C** 15.79%
- ☒ **D** 115.79%

Figure 1 is a diagram of a product life cycle.

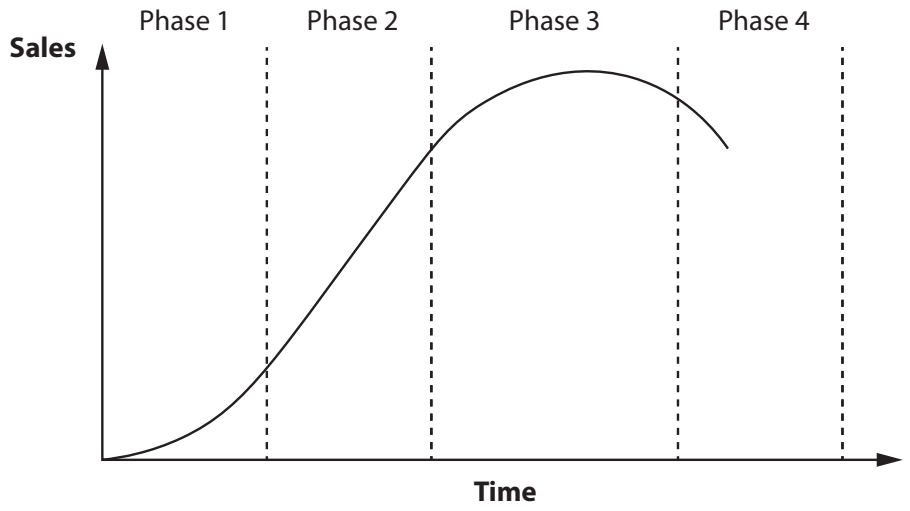


Figure 1

(v) Which **one** of the following is Phase 3 of the product life cycle?

Select **one** answer.

(1)

- ☒ **A** Decline
- ☒ **B** Growth
- ☒ **C** Introduction
- ☒ **D** Maturity

(vi) Which **one** of the following are equal in a break-even graph?

Select **one** answer.

(1)

- ☒ **A** Fixed costs and variable costs
- ☒ **B** Fixed costs and revenue
- ☒ **C** Total costs and fixed costs
- ☒ **D** Total costs and revenue

(b) Define the term **person specification**.

(1)

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(c) Define the term **quality control**.

(1)

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(d) State **one** reason why *IKEA* provides induction training for new employees.

(1)

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Figure 2 is an extract from *IKEA*'s Statement of Income for 2020.

	Euros (€) millions
Revenue	37 368
Cost of sales and services	25 643
Gross profit	11 725

Figure 2

(e) Calculate, to two decimal places, the gross profit margin for 2020. You are advised to show your working.

(2)

.....%

(f) Explain **one** reason why businesses want to use resources effectively in manufacturing.

(3)

(g) Analyse the benefits to *IKEA* of all its stores being franchises.

(6)

3 In 2021 *M&M* moved from 20th to 2nd place as one of India's best workplaces.

(a) Define the term **autonomy**.

(1)

(b) Outline **one** reason why *M&M* might locate a new factory near to a labour force.

(2)

In 2020 *M&M* had current assets of 3 400 million Indian Rupees and current liabilities of 900 million Indian Rupees.

(c) Calculate, to 2 decimal places the current ratio for 2020. You are advised to show your working.

(2)

.....:1

(d) Analyse why *M&M* would want to compare its business with other vehicle manufacturers.

(6)

M&M wants to retain the employees working in its business. To do this it is considering the following options.

Option 1: job rotation

Option 2: bonus.

(e) Justify which **one** of these two options *M&M* should use.

(9)

1 *Posh Pets Spain* (*PPS*) is a pet hotel in the village of Alhaurin el Grande, Spain. It is run by Rachel Goutorbe, an animal enthusiast, and her team of four pet specialists. *PPS* offers overnight accommodation with room for seven dogs or cats, a pet grooming service and a shop selling pet products, such as dog coats and dog leads. Pet grooming involves washing, cutting and combing a pet's coat.

(a) (i) Which **one** of the following is protected by legislation?

Select **one** answer.

(1)

- ☒ **A** Skills
- ☒ **B** Age
- ☒ **C** Experience
- ☒ **D** Ability

(ii) Which **one** of the following represents a star product on the Boston matrix?

Select **one** answer.

(1)

- ☒ **A** High market growth, high market share
- ☒ **B** High market growth, low market share
- ☒ **C** Low market growth, high market share
- ☒ **D** Low market growth, low market share

(iii) Which **one** of the following is the method of production where one unit of output is completed at a time?

Select **one** answer.

(1)

- ☒ **A** Lean
- ☒ **B** Flow
- ☒ **C** Batch
- ☒ **D** Job

(iv) Which **one** of the following is a current asset?

Select **one** answer.

(1)

- ☒ **A** Vehicle
- ☒ **B** Cash
- ☒ **C** Building
- ☒ **D** Factory

PPS imports handmade leather dog collars from the UK. Each dog collar costs £26.50.

The exchange rate is €1 (euro) = £0.84 (pound).

(v) Which **one** of the following is the total cost in euros when buying 20 dog collars from the UK?

Select **one** answer.

(1)

- ☒ **A** €22.56
- ☒ **B** €445.20
- ☒ **C** €630.95
- ☒ **D** €513.20

Figure 1 gives details of the *PPS* pet grooming service.

Average number of customers each month	30
Average price per service	€54
Variable costs per service	€17.25
Fixed costs per month	€175

Figure 1

(vi) Which **one** of the following is the total monthly cost for *PPS*?

Select **one** answer.

(1)

- ☒ **A** €692.50
- ☒ **B** €931.50
- ☒ **C** €2137.50
- ☒ **D** €2312.50

Many manufacturers make use of robots in their production processes.

(b) Define the term **robotics**.

(1)

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(c) Define the term **capital intensive production**.

(1)

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PPS has seen lower sales of its pet accessories.

(d) State **one** extension strategy *PPS* could use to extend the life cycle of the pet accessories.

(1)

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PPS is planning to take on additional employees. The hourly minimum wage in Spain is €7.45. The government is increasing this hourly minimum by 3.5%.

(e) Calculate the new hourly minimum wage after the increase of 3.5%. You are advised to show your working.

(2)

€ .....

(f) Explain **one** reason why many businesses have a human resource function.

(3)

Figure 2 is an extract of financial information from *PPS*.

Gross profit margin in 2022	25.6%
Gross profit margin in 2023	29.4%

Figure 2

(g) Analyse the usefulness of the gross profit margin to *PPS*.

(6)

4 **Figure 2** is an extract of financial information from *Café Pinch*.

Operating profit	€84 054
Current assets	€75 000
Current liabilities	€63 000
Capital employed	€266 058

Figure 2

(a) Calculate, to two decimal places, the return on capital employed (ROCE). You are advised to show your working.

(2)

..... %

(b) Analyse how *Café Pinch* could use market segmentation to target its customers.

(6)

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Café Pinch needs to ensure it understands the needs of its customers to continue being successful.

(c) Evaluate the importance of using methods of market research for *Café Pinch* to meet customer needs. You should use the information provided as well as your own knowledge of business.

(12)

1 *China Cycle Tours (CCT)* is a business that provides bicycle tours. It offers guided bicycle tours around the city and countryside of Shanghai, China. It was started in 2008 with the slogan, 'One world, Two wheels.'

CCT employs eight tour guides who are all bilingual, speaking Chinese and English. The guides help tourists in all aspects of their tour including bookings for accommodation, food, activities and visits to cultural sites. *CCT* delivers the bicycles directly to the hotels where the tourists are staying and provides free maps and locks for the bicycles.

CCT has received good reviews and ratings online. Customers have commented that the bicycle tours are extremely enjoyable and that the guides help them to experience the true culture of China.

(a) (i) Which **one** of the following is the production process that relies more on machinery than on labour?

(1)

Select **one** answer.

- ☒ **A** Kaizen
- ☒ **B** Job production
- ☒ **C** Just-in-time
- ☒ **D** Capital intensive

(ii) Which **one** of the following is a pricing strategy that involves setting a low price for a product when it is first introduced to the market to quickly gain market share?

(1)

Select **one** answer.

- ☒ **A** Skimming
- ☒ **B** Competition
- ☒ **C** Penetration
- ☒ **D** Cost plus

(iii) Which **one** of the following is most likely to improve the cash flow position of a small business to help prevent its failure?

(1)

Select **one** answer.

- ☒ **A** Paying overhead costs sooner
- ☒ **B** Paying suppliers later
- ☒ **C** Increasing the rate of pay for its employees
- ☒ **D** Decreasing the net cash flow

(iv) Which **one** of the following is a financial business aim?

(1)

Select **one** answer.

- ☒ **A** Challenge
- ☒ **B** Independence
- ☒ **C** Survival
- ☒ **D** Control

CCT is considering purchasing six electric bicycles from England to increase the variety of bicycles it offers to its customers.

Each bicycle costs £550.

The exchange rate is £1 = 9.35 Chinese yuan (CNY).

(v) Which **one** of the following would *CCT* pay in CNY for **six** electric bicycles?

(1)

Select **one** answer.

- ☒ **A** 550.00 CNY
- ☒ **B** 3 300.00 CNY
- ☒ **C** 5 142.50 CNY
- ☒ **D** 30 855.00 CNY

Figure 1 is a financial extract from *CCT*.

	CYN
Total revenue	1 444 304
Total labour costs	750 288
Total material costs	234 465
Other costs	46 893

Figure 1

(vi) Using **Figure 1** which **one** of the following is correct for *CCT*?

Select **one** answer

(1)

- ☒ **A** It made a loss of 1 031 646 CYN
- ☒ **B** It made a loss of 412 658 CYN
- ☒ **C** It made a profit of 412 658 CYN
- ☒ **D** It made a profit of 1 031 646 CYN

(b) Define the term **branding.**

(1)

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(c) Define the term **autonomy.**

(1)

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(d) State **one** method of secondary market research *CCT* could use to collect market data.

(1)

In 2024 *CCT* had current assets of 561 258 CYN and current liabilities of 233 098 CYN.

(e) Calculate, to two decimal places, the current ratio for 2024. You are advised to show your working.

(2)

(f) Explain **one** benefit to a business owner of operating as a private limited company.

(3)

CCT has a website for bookings and a social media page that provides information to its customers. It now wants to introduce an app that can be downloaded by its customers to make it easier to make and track bookings.

(g) Analyse the concerns *CCT* may have of introducing this app for its customers.

(6)

MARK SCHEMES

official Pearson Edexcel mark schemes

Question Number	Answer	Mark
3 (a)	**AO1 - 1 mark** Award 1 mark for a correct definition of profit. • Profit is the difference between total revenue and total costs **(1).**	**(1)**

Question Number	Answer	Mark
3 (b)	**AO2 - 2 marks** Award 1 mark for identifying an impact of an increase in interest rates on *Backyard Shoez.* One further mark for outlining it in the context of the business. *Backyard Shoez* could see a decrease in sales of shoes **(1)** because their customers who have debts have less income to spend on luxury items because they are paying more back to lenders **(1).** **NB** Do not accept a reason that is not in context of *Backyard Shoez*. **Accept any other appropriate response.**	**(2)**

Question Number	Answer	Additional guidance	Mark
3 (c)	**AO2 - 2 marks** 100 000/ (4 300 – 3 500) OR 100 000/ 800 **(1)** = 125 shoes **(1).** NB: Alternatively if candidates have worked out revenue instead of number of shoes then marks can be awarded for calculating break even revenue: 125 x 4 300 = 537 500Ks **(1).**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Indicative content	Mark
3 (d)	**AO2 = 3 marks AO3 = 3 marks** **AO2** • *Backyard Shoez* will be able to see that it needs to sell 125 pairs before it can break-even. • *Backyard Shoez* can ask 'what if' questions and see what impact various price changes have on the break-even point. **AO3** • This will enable *Backyard Shoez* to know if they are breaking even and moving into profit. • They can raise or lower the price to become more competitive with other shoe shops.	**(6)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3).
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3).
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3).

Question Number	Indicative content	Mark
3 (e)	**AO2 = 3 marks AO3 = 3 marks** **AO4 = 3 marks** **AO2** • Option 1 – Crowdfunding is a quick way to raise finance to buy new shoes/latest fashion. • Option 2 – An overdraft allows *Backyard Shoez* a temporary facility to withdraw funds from its bank to buy the required amount of stock. **AO3** • Option 1 – They could also pay the investors with products rather than a financial reward which could help cash flow. • Option 2 – If *Backyard Shoez* chooses an overdraft it gives them flexibility and they only pay interest when overdrawn. **AO4** • Option 1 – Crowdfunding is a high risk way of trying to obtain finance, this could result in *Backyard Shoez* not being able to raise sufficient funds to buy the additional stock required therefore impacting on its expansion plans. • Option 2 – The bank can demand repayment at any time and interest rates on overdraft are usually high.	**(9)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-3	• Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3). • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made (AO4).
Level 2	4-6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3). • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made (AO4).
Level 3	7 - 9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3). • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made (AO4).

Question Number	Answer	Additional guidance	Mark
4 (a)	**AO2 - 2 marks** 120 000/90 000 **(1)** = 1.33 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Indicative content	Mark
4 (b)	**AO2 - 3 marks AO3 - 3 marks** **AO2** • *Lavender* will know the amount of internal finance they have available • The money does not have to be borrowed/negotiated. **AO3** • By using internal sources of finance *Lavender* has the money straight away in its restaurants and does not have to go through a lengthy process to get the money. • *Lavender* will not have to pay the money back so does not need to worry about any monthly repayments or interest associated with external sources of finance.	**(6)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	Indicative content	Mark
4 (c)	**AO1 = 3 marks AO2 = 3 marks** **AO3 = 3 marks AO4 = 3 marks** **AO1** • Social media can be used to gain a wider target market. • E-newsletters can keep customers up to date with new products. **AO2** • *Lavender* could target a particular audience based on their likes of food to advertise directly to. • *Lavender* could get the email addresses of its customers or complete questionnaires. **AO3** • Therefore, using technology in promotion *Lavender* can personalise the information to the customer based on what they have searched for on the internet or what they have purchased previously from the bakery. • Therefore, they can reach out to current customers and encourage them to repeat purchase or to try out its other outlets or different recipes. **AO4** • However, *Lavender* would need to have employees with the necessary technological skills in order to use this as a method of promotion. Some people ignore emails or banners on websites so may not pay attention to the promotion. Also it could be difficult to reach the new customers in the new areas as they do not know who they are yet. • However, a lot of time might be spent using technology but some people may prefer traditional methods such as leaflets inside the bakery. When handing these out to customers directly you are giving more of a personalised service and you get the chance to speak to them face to face to gain feedback.	**(12)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-4	• Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used. (AO1) • Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	5 - 8	• Demonstrates mostly accurate knowledge and understanding of business concepts and issues including appropriate use of business terminology in places. (AO1) • Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	9 - 12	• Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology. (AO1) • Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

Question Number	Answer	Mark
3 (a)	**A01 = 1 mark** Award 1 mark for a correct definition of e-tailers. • The use of electronic systems to sell goods/services (1). **Accept any other appropriate response**.	**(1)**

Question Number	Answer	Mark
3 (b)	**A02 = 2 marks** Award 1 mark for identifying a reason why *HRMW* would use robotics in its production, plus 1 further mark for linking it to the context of the question. • *HRMW* uses robots in the manufacture of these sportswear because they are more accurate than employees (1) reducing the number of errors in the products distributed to customers (1). They work 24/7 without having a break (1), which means that more sports products are made (1). **NB** Do not accept a reason that is not in the context of *HRMW.* **Accept any other appropriate response**.	**(2)**

Question Number	Answer	Additional guidance	Mark
3 (c)	**A02 = 2 marks** 5 000 – 3 000 = 2 000 (1) 300 000/2 000 = 150 (1)	Award 1 mark for substituting numbers into formula correctly. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Indicative content	Mark
3 (d)	**AO2 = 3 marks AO3 = 3 marks** **AO2** • Using break-even charts assumes that all the tennis racquets are sold. • The simple chart assumes that the costs and revenues for the tennis racquets can be represented by a straight line. **AO3** • The chart does not show if some of the tennis racquets are kept as stock items or if some of them remain unsold. • There may be other factors that need to be considered. Increased output may involve paying staff additional wages to produce more tennis racquets.	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	Indicative content	Mark
3 (e)	**AO2 = 3 marks AO3 = 3 marks** **AO4 = 3 marks** **AO2** • Option 1 – *HRMW* has the retained profit and this could be used straight away to pay for the R&D for the tennis racquets. • Option 2 – Selling off assets that *HRMW* owns and no longer uses makes good business sense. **AO3** • Option 1 – Because *HRMW* has retained profits the manufacture of tennis racquets can begin immediately and bring in revenue. • Option 2 – Selling assets means that *HRMW* has another source of finance and does not need to use retained profit or take out a loan. **AO4** • Option 1 – However, there may be insufficient retained profit and *HRMW* would then have to take out a loan which could be expensive. • Option 2 – However, if *HRMW* sells assets there is no guarantee that it can do so in time, which means it may have to find alternative sources of funds thereby, wasting time producing the tennis racquets for sale.	**(9)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-3	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	4-6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	7 - 9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

Question Number	Answer	Additional guidance	Mark
4 (a)	A02 - 2 marks 300 000/220 000 (1) = 1.36 (1)	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Analyse the benefits to NOF of using personal savings to expand its product range Indicative content	Mark
4 (b)	AO2 – 3 marks AO3 – 3 marks AO2 • NOF can start making ice cream immediately as they have the money. • Amanda and Ken will not have to pay any money back to their bank. AO3 • By using personal savings NOF does not have to go through a lengthy process of taking out a loan. • As there is no loan there is no need to be concerned about monthly repayments/interest and any profit gained can be used to put back into the business.	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3–4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5–6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	Evaluate the factors that NOF might consider when measuring the success of its farm shop. You should use the information provided as well as your own knowledge of business Indicative content	Mark
4 (c)	AO1 = 3 marks AO2 = 3 marks AO3 = 3 marks AO4 = 3 marks AO1 • The profit produced by the farm shop • The growth of its product range. AO2 • NOF will be able to see how much profit the farm shop is making compared to the overnight accommodation. • NOF is looking at expanding its product range which shows it is currently successful in the products it already sells. AO3 • By comparing how much profit is made in the farm shop then NOF can spend money improving the areas that need developing. • This shows success of the business as there is a demand for the products it produces and it is willing to take a risk by expanding that range. AO4 • However, an increase in profit is dependent upon many other factors outside the control of NOF such as the weather as this could impact heavily on how much the farm is producing or how many people want to come and visit the farm shop. • However, there is no guarantee that this growth will be a success at a time when supermarkets sell the same products cheaper than NOF and other farms can afford to do.	**(12)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	• Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used. (AO1) • Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	5– 8	• Demonstrates mostly accurate knowledge and understanding of business concepts and issues including appropriate use of business terminology in places. (AO1) • Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	9–12	• Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology. (AO1) • Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

Question Number	Answer	Mark
3 (a)	**A01 - 1 mark** Award 1 mark for a correct definition of price skimming. • Setting a high price for a new product and then lowering it later **(1).**	**(1)**

Question Number	Answer	Mark
3 (b)	**A02 - 2 marks** Award 1 mark for identifying a reason why cash is important to *Artify Studio*, plus 1 further mark for linking it to the context of the question. • It allows *Artify Studio* to pay suppliers for the art materials they sell **(1)** and by paying on time help to build a positive relationship between the business and supplier **(1).** **NB** Do not accept a reason that is not in the context of *Artify Studio*. **Accept any other appropriate response.**	**(2)**

Question Number	Answer	Additional guidance	Mark
3 (c)	**A02 - 2 marks** 28 500/90 500 x 100 **(1)** = 31.49 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Indicative content	Mark
3 (d)	**AO2 = 3 marks AO3 = 3 marks** **AO2** • *Artify Studio* can see how it is performing and can calculate the gross profit margin of 31.49%. • *Artify Studio* could can use this information to assess the direction that the art studio will take in the future. **AO3** • This calculation helps them to see the sales they are making are currently sufficiently covering costs of running their services and selling their products. • This helps *Artify Studio* to judge how much profit they are making against the cost of running their business and if any changes need to be made to make the business more profitable.	**(6)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	Indicative content	Mark
3 (e)	**AO2 = 3 marks AO3 = 3 marks AO4 = 3 marks** **AO2** • Option 1 – Crowdfunding could be a quick way to raise the finance needed for new art sets. • Option 2 – Tay Hui Jae could invest his own retained profits which have been earned from previous years to purchase the new art sets. **AO3** • Option 1 – Investors do not need to be given any financial reward in return for their money but could instead be offered access to the art services *Artify Studio* offer. • Option 2 – This may provide the business will the short-term finance it needs to get the painting sets together. **AO4** • Option 1 – However, *Artify Studio* is only a small business so may not have enough presence to gain the funding needed and if they don't meet the target they set then they may end up with nothing. • Option 2 – However, there is no guarantee these painting sets will sell as customers may prefer for their children to take part in the art sessions in the studio making the venture unsuccessful.	**(9)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-3	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	4-6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	7 - 9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

Question Number	State **one** way *TBTS* can measure its success as a business **Answer**	Mark
2 (a)	**A02 - 1 mark** Award 1 mark for a valid way in which *TBTS* can measure its success in business in the context of *TBTS* • An increase in the revenue it earns from selling its toys **(1)** **NB** Do not accept a way that is not in the context of *TBTS* **Accept any other appropriate response**	**(1)**

Question Number	State **one** reason why *TBTS* might segment its market **Answer**	Mark
2 (b)	**A02 - 1 mark** Award 1 mark for a valid reason *TBTS* might segment the market in the context of *TBTS* • *TBTS* will be able to aim its toys appropriately to different age groups **(1)** **NB** Do not accept a reason that is not in the context of *TBTS* **Accept any other appropriate response**	**(1)**

Question Number	Explain **one** benefit to a business of having a flat organisational structure. **Answer**	Mark
2 (c)	**A01 - 3 marks** Award 1 mark for identification of a benefit to a business of having a flat organisational structure, plus 2 further marks for explaining this benefit for a business, for a maximum of 3 marks • Businesses will have fewer levels **(1)** so lines of communication are shorter **(1)** leading to quicker decision-making **(1)** NB Answers that list three benefits with no explanation will get 1 mark only **Accept any other appropriate response.**	**(3)**

Question Number	Explain **one** method a small business may use to increase its profit. **Answer**	Mark
2 (d)	**A01 - 3 marks** Award 1 mark for identification of a method of increasing profit, plus 2 further marks for explaining this method, for a maximum of 3 marks. • Cutting costs **(1)** such as reducing the number of employees **(1)** which could increase profit if revenue stays the same **(1)** **NB** Answers that list three methods with no explanation will get 1 mark only **Accept any other appropriate response**	**(3)**

Question Number	Explain **one** benefit to a business of using the Boston Matrix. **Answer**	Mark
2 (e)	**A01 - 3 marks** Award 1 mark for the identification of a benefit of using the Boston Matrix, plus 2 further marks for explaining that benefit, for a maximum of 3 marks. • The Boston Matrix helps a business to balance its product portfolio **(1)** showing if they have too many similar products **(1)** and can lead to identifying when they need to introduce a new product **(1)** NB Answers that list three benefits with no explanation will get 1 mark only **Accept any other appropriate response.**	**(3)**

Question Number	*TBTS* is considering two options: **Option 1:** using retained profits **Option 2:** getting a bank loan Justify which **one** of these two options *TBTS* should choose **Indicative content**	Mark
2 (f)	**AO2 = 3 marks AO3 = 3 marks** **AO4 = 3 marks** **AO2** • **Option 1** – By using retained profits *TBTS* can buy the toys immediately to sell in its toy shops • **Option 2** – *TBTS* will have to wait for a decision to be made by the bank before being able to buy the toys from new suppliers **AO3** • **Option 1** – This method does not need to be paid back so any profits made from the introduction of new toys will go back into the business • **Option 2** – *TBTS* may have more finance from a bank loan and can therefore buy a wider range of toys **AO4** • **Option 1** – However, *TBTS* can only use retained profits if they have any in the first place as it can take some time to build up profits to use in investing in new products. • **Option 2** – However, interest has to be paid back to the bank so this adds an additional cost to the business but can be paid back over a long period of time so *TBTS* can budget for this.	**(9)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-3	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	4-6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	7 - 9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

2 (a)	**A02 - 1 mark** Award 1 mark for a valid impact that government legislation may have on *Can Culleretes* in the context of *Can Culleretes.* • The chefs may need to be retrained to stay up to date with new health and safety regulations **(1)** **NB:** Do not accept an impact that is not in the context of *Can Culleretes.* **Accept any other appropriate response**.	**(1)**

Question Number	State **one** way *Can Culleretes* might add value to its business. **Answer**	**Mark**
2 (b)	**A02 - 1 mark** Award 1 mark for a valid way *Can Culleretes* might add value in the context of *Can Culleretes*. • *Can Culleretes* can use high quality organic vegetables in its Mediterranean food **(1)** **NB:** Do not accept a method that is not in the context of *Can Culleretes.* **Accept any other appropriate response.**	**(1)**

Question Number	Explain **one** method a business could use to encourage repeat purchase of its products **Answer**	Mark
2 (c)	**A01 - 3 marks** Award 1 mark for identification of a method a business could use to encourage repeat purchase of its products, plus 2 further marks for explaining this method, for a maximum of 3 marks. • Issue loyalty cards **(1)** which could be used to offer special discounts **(1)** leading to customers being motivated to return to the business rather than its competitors **(1)** NB Answers that list three methods with no explanation will get 1 mark only. **Accept any other appropriate response.**	**(3)**

Question Number	Explain **one** disadvantage of using personal savings as a source of finance for a business. **Answer**	Mark
2 (d)	**A01 - 3 marks** Award 1 mark for identification of a disadvantage of using personal savings as a source of finance, plus 2 further marks for explaining this disadvantage, for a maximum of 3 marks. • Money to deal with an emergency may not be available **(1)** so there is no backup if things go wrong **(1)** meaning that it may be necessary to find another source of finance **(1)** **NB** Answers that list three disadvantages with no explanation will get 1 mark only. **Accept any other appropriate response**.	**(3)**

Question Number	Explain **one** benefit for a business of motivating its employees. **Answer**	Mark
2 (e)	**A01 - 3 marks** Award 1 mark for the identification of a benefit of motivating employees, plus 2 further marks for explaining that benefit, for a maximum of 3 marks. • Retention of employees **(1)** avoids spending time and money on recruitment **(1)** allowing the business to concentrate elsewhere **(1)** NB Answers that list three benefits with no explanation will get 1 mark only. **Accept any other appropriate response.**	**(3)**

Question Number	*Can Culleretes* is looking to improve its revenue and is considering two options. Option 1: increase advertising Option 2: opening for breakfast. **Indicative content**	Mark
2 (f)	**AO2 = 3 marks AO3 = 3 marks** **AO4 = 3 marks** **<u>AO2</u>** • **Option 1** – An increase in advertising can reach new customers and tourists visiting Barcelona • **Option 2** – By opening for breakfast Montserrat and Alicia can attract existing and new customers **<u>AO3</u>** • **Option 1** – This method can improve its revenue by drawing in new customers who may not have heard the restaurant before • **Option 2** – This method may make the restaurant stand out as it is offering something it has not done before in its long history **<u>AO4</u>** • **Option 1** – However, it depends on the method of advertising as it can be expensive so although revenue may improve it will be a cost for the business • **Option 2** – However, as it is only a small restaurant they may need to employ more staff as well but this could lead to an increase in costs	**(9)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-3	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	4-6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	7 - 9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

4 (a)	**A02 - 2 marks** 38.40 x 12 = 460.80 460.80 x 0.125 = 57.60 **(1)** 460.80 – 57.60 = 403.20 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Analyse the importance of *Can Culleretes* responding to changes in its market. **Indicative content**	Mark
4 (b)	**AO2 – 3 marks AO3 – 3 marks** **<u>AO2</u>** • Montserrat and Alicia need to keep up with changing customer tastes if they want to remain competitive • As the second oldest restaurant in Spain it may place no importance in responding to changes in the market **<u>AO3</u>** • They are located in a busy area and want to make sure customers are drawn to them over the other restaurants in the area • Despite the market changing customers are drawn to *Can Culleretes* because of it being a family run business and its long history so may see no need to change if it is successful enough as it is	**(6)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	Evaluate the impact of using venture capital as a source of finance to fund the opening of *Can Cullerets*. You should use the information provided as well as your own knowledge of business. **Indicative content**	Mark
4 (c)	**AO1 = 3 marks AO2 = 3 marks** **AO3 = 3 marks AO4 = 3 marks** **AO1** • Venture capital is when investors give a business money in exchange for a share of the profits. • Venture capital is an external source of finance often used for opening new businesses. **AO2** • Investors may have the skills in the food industry to ensure Can Café is a success. • Investors could have some ideas that the family does not like such as the opening hours of the café. **AO3** • By using this source of finance Can Café will have enough money to set up without having to pay back any interest helping the business to have more chance of it being a success from the start. • If the investors are too involved in setting up the business it may lose the historical story behind the original business leading to customers staying away from the café. **AO4** • However, the family will have to pay the investors a share of the profits which may upset the other family members as they are the ones working hard to set up Can Café but the investors get the rewards. • However, if the owners had an agreement to pay the investors back and then take back full ownership it could ensure the success of both business as well as keeping them in the family in the long term.	**(12)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-4	• Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used. (AO1) • Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	5 - 8	• Demonstrates mostly accurate knowledge and understanding of business concepts and issues including appropriate use of business terminology in places. (AO1) • Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	9 - 12	• Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology. (AO1) • Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

4 (a)	**A02 - 2 marks** 10.3 / 25.9 **(1)** X 100 = 39.77 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Analyse why *Cadbury* may have needed to take out an overdraft. Indicative content	Mark
4 (b)	**AO2 – 3 marks AO3 – 3 marks** <u>AO2</u> • An overdraft would allow *Cadbury* to withdraw temporary funds from its bank account to pay suppliers for an unexpected delivery of cocoa • If *Cadbury* needs to pay an unexpected bill to keep the factory working <u>AO3</u> • It is flexible as *Cadbury* will only pay interest on the amount they are overdrawn • By using an overdraft, the factory can carry on producing whilst *Cadbury* improves its cash flow	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	Evaluate the importance of marketing for *Cadbury* when introducing a new product. Indicative content	Mark
4 (c)	AO1 = 3 marks AO2 = 3 marks AO3 = 3 marks AO4 = 3 marks <u>AO1</u> • *Cadbury* needs to make products that customers will want to buy so by using market research it can identify a gap in the market. • By producing chocolate bars that people enjoy it keeps them loyal to those products <u>AO2</u> • If the market research finds that customers like chocolate ice creams *Cadbury* could introduce them • *Cadbury* wants loyal customers to continue buying its range of chocolate products <u>AO3</u> • Customers buying the ice creams increases sales and they are more likely to recommend *Cadbury* products to their friends • Loyal customers are more likely to purchase new products that *Cadbury* introduces from time to time <u>AO4</u> • However, any bad publicity about the chocolate ice creams could reduce sales and give *Cadbury* a bad reputation • However, to maintain loyalty to *Cadbury*, it may have to offer special deals or free gifts on purchasing old and new chocolate products	(12)

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-4	• Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used. (AO1) • Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	5 - 8	• Demonstrates mostly accurate knowledge and understanding of business concepts and issues including appropriate use of business terminology in places. (AO1) • Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	9 - 12	• Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology. (AO1) • Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

Question Number	Define the term **variable costs.** **Answer**	Mark
3 (a)	**A01 - 1 mark** Award 1 mark for a correct definition of **variable costs**. • Costs that vary as output levels change **(1)**	**(1)**

Question Number	Outline **one** way *Aude Rose* could extend the product life cycle of one its products. **Answer**	Mark
3 (b)	**A02 - 2 marks** Award 1 mark for identifying a way *Aude Rose* could extend the product life cycle of one of its products, plus 1 further mark for linking it to the context of the question. • *Aude Rose* could lower the prices of its least popular flowers **(1)** encouraging sales of that variety over other flowers **(1)** **NB** Do not accept a way that is not in the context of *Aude Rose*. **Accept any other appropriate response.**	**(2)**

Question Number	Calculate, to two decimal places, the percentage decrease in retained profits from 2021 to 2022. **Answer**	**Additional guidance**	Mark
3 (c)	**A02 - 2 marks** 16 260 – 12 594 = 3666/16260 x 100 **(1)** = 22.55 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Analyse the impact on *Aude Rose* of using its retained profits for this proposed development. **Indicative content**	Mark
3 (d)	**AO2 = 3 marks AO3 = 3 marks** **<u>AO2</u>** • By using retained profit *Aude Rose* can buy the flowers straight away • Retained profit can only be used to buy a wider range of flowers if it exists **<u>AO3</u>** • This source of finance does not need to be paid back so any profit made from the new flowers can go back into the flower shop business • There is no guarantee that *Aude Rose* will have enough profit to buy this new range of flowers so may have to wait to accumulate more retained profits	**(6)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)

Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	*Aude Rose* is considering two options: **Option 1:** hand out questionnaires to customers that visit the shop **Option 2:** using the internet to research new trends. Justify which **one** of these two options *Aude Rose* should choose. **Indicative content**	**Mark**
3 (e)	**AO2 = 3 marks AO3 = 3 marks** **AO4 = 3 marks** **<u>AO2</u>** • **Option 1** – By using questionnaires *Aude Rose* could get feedback straight away from customers when buying flowers in the shop • **Option 2** – *Aude Rose* can view a large selection of flower-based websites **<u>AO3</u>** • **Option 1** – The feedback might give the business more information about what the customers want from the flower shop and changes as trends develop • **Option 2** – It will be less time consuming as it can find the exact information it is looking for and compare it to the types of flowers it currently offers **<u>AO4</u>** • **Option 1** – However, customers may not know about the new trends so cannot give any constructive feedback on the purpose of the research being conducted • **Option 2** – However, whilst this research can give information about up-and-coming trends it gives no specific information on the demand for the new trends by its existing customers so could be a waste of time	**(9)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-3	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	4-6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	7 - 9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

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Question Number	Calculate, to two decimal places, the gross profit margin. **Answer**	Additional guidance	Mark

1 (a) (i)	**AO1 - 1 mark** The only correct answer is **B** Social **A** - is incorrect as esteem is level 4 **C** - is incorrect as safety is level 2 **D** - is incorrect as basic is level 1	**(1)**

Question Number	Which **one** of the following is an external source of finance? **Answer**	**Mark**
1 (a)(ii)	**AO1 - 1 mark** The only correct answer is **D** Venture capital **A** - is incorrect as personal savings is an internal source of finance **B** - is incorrect as retained profit is an internal source of finance **C** - is incorrect as selling assets is an internal source of finance	**(1)**

Question Number	Which **one** of the following is the closing balance for the end of the month? **Answer**	**Mark**
1 (a) (iii)	**AO2 - 1 mark** The only correct answer is **B** -£8 000 **A** - is incorrect as -£28 000 because cash inflow of £28 000 minus cash outflow of 56 000 **C** - is incorrect as £48 000 because it is the opening balance of as £20 000 plus the cash inflow of £28 000 **D** - is incorrect as £84 000 because it is the cash inflow of £28 000 plus the cash outflow of £56 000	**(1)**

Question Number	Which **one** of the following is a reason why governments raise tax rates? **Answer**	Mark
1 (a)(iv)	**AO1 - 1 mark** The only correct answer is **A** To raise revenue to fund government expenditure **B** - is incorrect as raising taxes would put off multinationals from investing **C** - is incorrect as to higher taxes would reduce demand in the economy **D** - is incorrect as this would increase unemployment if income tax increases	**(1)**

Question Number	What would be the number of tractors sold in February 2021? **Answer**	Mark
1 (a) (v)	**AO2 - 1 mark** The only correct answer is **C** 322,898 **A** - is incorrect because 253,706 is 288,302 minus 12% **B** - is incorrect because 300,302 = 288,302 + 12, 000 **D** - is incorrect because 322,910 = 288,302 + 34,596 +12	**(1)**

Question Number	Which **one** of the following market research methods would the shop owner use? **Answer**	Mark
1 (a)(vi)	**AO1 - 1 mark** The only correct answer is **B** Primary research **A** - is incorrect as market segment is not market research **C** - is not correct as research and development as it is not market research **D** - is not correct as secondary research is data that has already been collected	**(1)**

Question Number	Define the term **public corporation.** **Answer**	Mark
1 (b)	**AO1 - 1 mark** Award 1 mark for a correct definition of public corporation. • A business owned and controlled by the state/government **(1)**	**(1)**

Question Number	Define the term **qualitative market research.** **Answer**	Mark
1 (c)	**AO1 - 1 mark** Award 1 mark for a correct definition of qualitative market research. • Information about attitudes, beliefs and intentions **(1)**	**(1)**

Question Number	State **one** reason why it is important for *M&M* to motivate its employees. **Answer**	Mark
1 (d)	**A02 - 1 mark** Award 1 mark for a valid reason why it is important for *M&M* to motivate its employees in the context of the business. • *M&M* motivating its employees means they will work harder and take a pride in building tractors **(1)** • More motivated employees might be willing to accept new working practices after training such as the introduction of robots on the production line **(1)** **NB** Do not accept a reason that is not in the context of *M&M.* **Accept any other appropriate response.**	**(1)**

Question Number	Calculate to 2 decimal places, the percentage increase from 2019 to 2020. **Answer**	Additional guidance	Mark
1 (e)	**A02 - 2 marks** 900 – 448 = 452 **(1)** 452/448 x 100 = 100.89 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Explain **one** advantage of becoming a multinational business. **Answer**	Mark
1 (f)	**A01 - 3 marks** Award 1 mark for an advantage of a business becoming a multinational plus 2 further marks for explaining the advantage, for a maximum of 3 marks. • A multinational business has a global supplier base **(1)** that is able to supply a range of components/products **(1)** and this could increase revenue **(1)** • Multinationals operate in many different countries **(1)** this makes the movement of products easier **(1)** as trade barriers are reduced **(1)** **NB** No marks are awarded for a definition. Answers that list two reasons with no explanation will gain 1 mark only. **Accept any other appropriate response.**	**(3)**

Question Number	Analyse the disadvantages to *M&M* of using social media. **Indicative content**	Mark
1 (g)	**AO2 = 3 marks AO3 = 3 marks** **<u>AO2</u>** • Negative comments can be put on social media about the quality of *M&M*'s tractors • Not everyone has or uses social media, so there is no guarantee that they would see advertisements about new cars that *M&M* have made **<u>AO3</u>** • The comments could be made by a disgruntled customer and the comments might not be true • This could mean that a number of potential customers might not see the advertisements and would then not be able to buy the new cars	**(6)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3).
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3).
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3).

Question Number	State **one** non-financial objective for *M&M*. **Answer**	**Mark**

2 (a)	**A02 - 1 mark** Award 1 mark for the identification of a valid method *AWG* could use to motivate its employees • The business could use job rotation so employees make not only jumpers but shirts as well **(1)** **NB** Do not accept a method that is not in the context of *AWG* **Accept any appropriate response**.	**(1)**

Question Number	State **one** task of an *AWG* employee working in the human resources department. **Answer**	**Mark**
2 (b)	**A02 - 1 mark** Award 1 mark for the identification of a valid task of an *AWG* employee working in the human resources department • *The AWG* employee working in the human resources department may be responsible for arranging the training of new employees to use the sewing machines **(1)** **NB** Do not accept a task that is not in the context of *AWG* **Accept any appropriate response.**	**(1)**

Question Number	Explain **one** benefit of globalisation to a small business. **Answer**	**Mark**
2 (c)	**A01 - 3 marks** Award 1 mark for identification of a benefit of globalisation to a small business, plus 2 further marks for explaining this benefit, for a maximum of 3 marks. • A small business can reach a larger audience of customers **(1)** because it can sell its products into new countries **(1)** leading to increased revenue and profitability for the business **(1)** **NB** Answers that list three benefits with no explanation will get 1 mark only. **Accept any appropriate response.**	**(3)**

Question Number	Explain **one** method of below-the-line promotion a business may use to retain its customers. **Answer**	**Mark**
2 (d)	**A01 - 3 marks** Award 1 mark for identification of a method of below-the-line promotion a business could use, plus 2 further marks for explaining this method, for a maximum of 3 marks. • Existing customers may be offered sales promotions/discounts **(1)** with the aim of enticing customers to buy at a lower price **(1)** and therefore encourage repeat sales by its customers **(1)** **NB** Answers that list three methods with no explanation will get 1 mark only. **Accept any appropriate response**.	**(3)**

Question Number	Explain **one** benefit to a business of using market segmentation to target its customers. **Answer**	Mark
2 (e)	**A01 - 3 marks** Award 1 mark for the identification of a benefit to a business of using market segmentation to target its customers, plus 2 further marks for explaining that benefit, for a maximum of 3 marks. • To identify customers with similar characteristics **(1)** in order to develop a product or service which meets those customers' needs **(1)** leading to an increase in sales and consumer loyalty **(1)** **NB** Answers that list three benefits with no explanation will get 1 mark only. **Accept any appropriate response.**	**(3)**

Question Number	It is considering two options: **Option 1:** use venture capital to open new stores **Option 2:** start offering franchises. **Indicative content**	Mark
2 (f)	**AO2 = 3 marks AO3 = 3 marks** **AO4 = 3 marks** **<u>AO2</u>** • **Option 1** – A venture capitalist may provide the funds to build the new stores to sell the jumpers • **Option 2** – A franchisee will pay *AWG* a fee for the right to sell its baby clothes **<u>AO3</u>** • **Option 1** – As well as providing the funds the venture capitalist may also have knowledge of the needs of Icelandic customers • **Option 2** – This method would allow *AWG* to increase its revenue from fees paid by the franchisee **<u>AO4</u>** • **Option 1** – However, the venture capitalist may want to take some control of the business and interfere with the decision making and objectives of the business • **Option 2** – However, *AWG* are reliant on the franchisee running the business well and not causing bad publicity for *AWG* which might impact its brands reputation	**(9)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-3	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	4-6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	7 - 9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

2 (a)	**A02 - 1 mark** Award 1 mark for one task that the human resources would carry out at *Kraft Heinz* when recruiting an employee in the context of the business. • Human resources would carry out interviews to recruit a Graphic Designer for the new baked beans advertisement **(1)** • It would look after the welfare of employees working in the tomato sauce factory **(1)** **NB** Do not accept a reason that is not in the context of *Kraft Heinz.* **Accept any other appropriate response**.	**(1)**

Question Number	State **one** financial objective *Kraft Heinz* might have. **Answer**	**Mark**
2 (b)	**A02 - 1 mark** Award 1 mark for a financial objective *Kraft Heinz* might have in the context of the business. • *Kraft Heinz* might want to increase its profit by increasing the number of different sauces they sell **(1)** • *Kraft Heinz* may want to increase its market share by introducing new products such as cool whip to New Zealand **(1)** **NB** Do not accept a financial objective that is not in the context of *Kraft Heinz* **Accept any other appropriate response.**	**(1)**

Question Number	Explain **one** reason why some businesses use crowdfunding as a source of finance. **Answer**	Mark
2 (c)	**A01 - 3 marks** Award 1 mark for a reason why some businesses use crowdfunding as a source of finance plus 2 further marks for explaining the reason, for a maximum of 3 marks. • Using crowdfunding can be a fast way to raise finance **(1)** from many investors **(1)** who may do this for the success of the business **(1)** • Crowdfunding is organised online **(1)** and can come from anywhere in the world **(1)** giving access to a wide number of investors **(1)** **NB** No marks are awarded for a definition. Answers that list three reasons why some businesses use crowdfunding as a source of finance, with no explanation will get 1 mark only. **Accept any other appropriate response.**	**(3)**

Question Number	Explain **one** disadvantage to a business of using retained profits to purchase goods and services. **Answer**	Mark
2 (d)	**A01 - 3 marks** Award 1 mark for a disadvantage to a business of using retained profit to purchase goods and services, plus 2 further marks for explaining this reason, for a maximum of 3 marks. • Using retained profit reduces the amount of funds available for the business to use. **(1)** If there is an emergency where funds are needed such as a machine breaking down **(1)** the business may not have the funds to get it repaired **(1)** • By using its retained profit to purchase new machinery **(1)** the business may not have the funds **(1)** to pay the rent or wages of employees **(1)** **NB** No marks are awarded for a definition. Answers that list three disadvantages to a business of using retained profits to purchase goods and services, with no explanation will get 1 mark only. **Accept any other appropriate response**.	**(3)**

Question Number	Explain **one** reason why the quality of goods manufactured by a business is important to its success. **Answer**	**Mark**
2 (e)	**A01 - 3 marks** Award 1 mark for a reason why the quality of goods manufactured by a business is important to its success plus 2 further marks for explaining why, for a maximum of 3 marks. • Manufacturing quality goods can lead to a good reputation for the business **(1)** thus encouraging more people to purchase the goods **(1)** which increases the sales for the business **(1)** • Increased competition from other businesses is why quality is important **(1)** the higher the quality of goods can increase customer purchases **(1)** which will then increases the profits of the business **(1)** **NB** No marks are awarded for a definition. Answers that list three reasons of why the quality of goods manufactured by a business is important to its success with no explanation will get 1 mark only. **Accept any other appropriate response.**	**(3)**

Question Number	*Kraft Heinz* constantly aims to promote its products to encourage people to increase sales. To do this *Kraft Heinz* is considering using the following techniques. **Option 1**: sponsorship of a local charity **Option 2:** increasing the number of special offers. **Indicative content**	Mark
2 (f)	**AO2 = 3 marks AO3 = 3 marks AO4 = 3 marks** **<u>AO2</u>** • **Option 1** – By sponsoring a local charity such as Animal Rescue gains *Kraft Heinz* publicity and involvement in the local community • **Option 2** – By increasing the special offers for its sauces it may encourage more people to purchase its products **<u>AO3</u>** • **Option 1** – Customers seeing notices of the charity event may then want to support *Kraft Heinz* • **Option 2** – This improves its sales and keeps *Kraft Heinz* ahead of its competitors **<u>AO4</u>** • **Option 1** – However, there is no guarantee that because an event has been sponsored by *Kraft Heinz* people will purchase its products • **Option 2** – However, special offers may help increase sales but they can cost *Kraft Heinz* additional costs which might not be recovered	**(9)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-3	• Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3). • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made (AO4).
Level 2	4-6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3). • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made (AO4).
Level 3	7 - 9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3). • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made (AO4).

Question Number	Define the term **diseconomies of scale.** **Answer**	Mark
3 (a)	**A01 - 1 mark** Award 1 mark for a correct definition of **diseconomies of scale**. • The rise in average costs of production as a business grows too quickly **(1)**	**(1)**

Question Number	Outline **one** method of primary market research that *PPS* could use to gain feedback on its services. **Answer**	Mark
3 (b)	**A02 - 2 marks** Award 1 mark for identifying a method of primary market research that *PPS* can use to gain feedback on its services, plus 1 further mark for linking it to the context of the question. • Animal owners who have used the pet hotel can be given a questionnaire **(1)** that *PPS* can use to identify possible changes to its kennels **(1)** **NB** Do not accept a method that is not in the context of *PPS*. **Accept any other appropriate response.**	**(2)**

Question Number	Calculate the closing balance. **Answer**	**Additional guidance**	Mark
3 (c)	**A02 - 2 marks** 22 000 – 20 000 = 2 000 **(1)** 16 000 + 2 000 = 18 000 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Analyse the importance of reliable market research to obtain this information. **Indicative content**	Mark
3 (d)	**AO2 = 3 marks AO3 = 3 marks** **<u>AO2</u>** • *PPS* will want to find accurate local data about pet owners so it can target its customers better • As *PPS* is a small business it may find it easier to speak to its customers individually to find out the needs of their pets **<u>AO3</u>** • This could lead to *PPS* understanding spending patterns of its customers • This could lead to *PPS* gaining more reliable data directly from its customers	**(6)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	*PPS* is considering two options: **Option 1:** using Rachel's personal savings **Option 2:** taking out a small bank loan. Justify which **one** of these two options *PPS* should choose. **Indicative content**	**Mark**
3 (e)	**AO2 = 3 marks AO3 = 3 marks** **AO4 = 3 marks** **<u>AO2</u>** • **Option 1** – Using personal savings gives *PPS* quick access to the €7 500 they need to buy the CCTV package and build the kennels • **Option 2** – *PPS* can apply for the €7 500 bank loan for an agreed period of time and at a fixed rate of interest **<u>AO3</u>** • **Option 1** – This means the money is readily available to allow for the quick building of kennels and installation of CCTV leading to increased revenue • **Option 2** – This means that *PPS* can spread the cost of repaying the €7 500 bank loan over a longer period of time whilst the new kennels are open **<u>AO4</u>** • **Option 1** – However, Rachel may not have enough savings so may need to look at other sources of finance as well as the personal savings and leaves the business without any surplus for emergencies • **Option 2** – However, interest has to be paid to the bank and this will add to *PPS* costs	**(9)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-3	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	4-6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	7 - 9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

Question Number	Calculate the break-even level of output for this new line of dog treats. **Answer**	**Additional guidance**	**Mark**

1 (a) (i)	**AO1 - 1 mark** **The only correct answer is C – Retained profit** **A** is not the correct answer as an overdraft is an external source of finance **B** is not the correct answer as crowdfunding is an external source of finance **D** is not correct answer as share capital is an external source of finance	**(1)**

Question Number	Which **one** of the following is a result of average costs rising in a large business? **Answer**	**Mark**
1 (a) (ii)	**AO1 - 1 mark** **The only correct answer is B – diseconomies of scale** **A** is not the correct answer as economies of scale are as a result of average costs falling due to an increase in size **C** is not the correct answer as purchasing economies are when large businesses can buy resources at a cheaper rate **D** is not the correct answer as financial economies are when large businesses can borrow money at a cheaper rate	**(1)**

Question Number	Which **one** of the following is the money left after all costs have been subtracted from revenue? **Answer**	**Mark**
1 (a) (iii)	**AO1 - 1 mark** **The only correct answer is D - Profit** **A** is not the correct answer as gross profit is the profit after the cost of producing the product **B** is not the correct answer as inflows are payments into a business **C** is not the correct answer as a loss will come when there is a minus figure after costs have been subtracted from revenue	**(1)**

Question Number	Which **one** of the following is a debt payable after 12 months? **Answer**	Mark
1 (a) (iv)	**AO1 - 1 mark** **The only correct answer is A – non-current liability** **B** is not the correct answer as a current liability is a debt that is payable within 12 months **C** is not the correct answer as a non-current asset is one that lasts for more than one year **D** is not the correct answer as a current asset is likely to be turned into cash within a year	**(1)**

Question Number	Which **one** of the following is the markup for the mozzarella cheese and avocado Ciabatta? **Answer**	Mark
1 (a) (v)	**AO2 - 1 mark** **The only correct answer is C – 107%** **A** is not the correct answer as 48% is 2.56/5.30 x100 **B** is not the correct answer as 93% is 2.56/2.74 x100 **D** is not the correct answer as 207% is 5.30/2.56 x100	**(1)**

Question Number	Which **one** of the following would *Café Pinch* pay in euros if it bought 50 kilos of potatoes? **Answer**	Mark
1 (a) (vi)	**AO2 - 1 mark** **The only correct answer is B - €48.81** **A** is not the correct answer as €59.52 is 50kg / £0.84 **C** is not the correct answer as €42.00 is 50kg x £0.84 **D** is not the correct answer as €41.00 is 50kg x £0.82	**(1)**

Question Number	Define the term **variable cost** **Answer**	Mark
1 (b)	**AO1 - 1 mark** Award 1 mark for a correct definition of **variable cost.** • A cost that changes directly with output **(1)**	**(1)**

Question Number	Define the term **niche marketing.** **Answer**	Mark
1 (c)	**AO1 - 1 mark** Award 1 mark for a correct definition of **niche marketing**. • Targeting a smaller segment of a market **(1)**	**(1)**

Question Number	State **one** way *Café Pinch* can react to external social factors affecting its business. **Answer**	Mark
1 (d)	**A02 - 1 mark** Award 1 mark for a way *Café Pinch* can react to the social factors affecting its business in the context of the business. • They can change their menu to suit people becoming more health conscious **(1)** **NB** Do not accept a way that is not in the context of *Café Pinch.* **Accept any other appropriate response.**	**(1)**

Question Number	Calculate what a customer would pay for these three items after the discount is applied. **Answer**	Additional guidance	Mark
1 (e)	**A02 - 2 marks** 14.00 x 0.05 = 0.70 **(1)** 14.00 – 0.70 = 13.30 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Explain **one** advantage to a start-up business of using a venture capitalist. **Answer**	Mark
1 (f)	**A01 - 3 marks** Award 1 mark for identification of an advantage of using a venture capitalist, plus 2 further marks for explaining the advantage, for a maximum of 3 marks. • Venture capitalists can be specialists **(1)** who may bring skills and new ideas to the business **(1)** giving it a greater chance of success **(1)** **NB** Answers that list three advantages with no explanation will get 1 mark only. **Accept any other appropriate response.**	**(3)**

Question Number	Analyse the importance to Kumaran, the owner of *Café Pinch,* of having motivated employees. **Indicative content**	Mark
1 (g)	**AO2 = 3 marks AO3 = 3 marks** **<u>AO2</u>** • If waiters serving customers are motivated, they will provide a good service when serving food and drink • If the chefs are motivated, they can come up with new dishes to enhance the menu **<u>AO3</u>** • If the employees/waiters remain motivated, they will continue to want to meet the needs of customers encouraging those customers to keep coming back to the business • This could lead to staff retention and lower recruitment costs	**(6)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

4 (a)	**A02 - 2 marks** 1 + 2 + 5+ 7 = 15 **(1)** 7/15 x 100 = 46.67 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct answer with no working.	**(2)**

Q. No.	Analyse the benefit to *Jimmy Choo* of using share capital to fund its growth. **Indicative content**	**Mark**
4 (b)	**AO2 = 3 marks AO3 = 3 marks** **AO2** • As *Jimmy Choo* is a large multinational, it might be easier to raise large amounts of share capital needed to fund any further expansion of its clothing factories • As an established multinational *Jimmy* Choo should be well placed to have a number of existing and new shareholders wanting to buy the shares **<u>AO3</u>** • The funds will allow *Jimmy Choo* to expand quickly so that it can take advantage of increased demand for its products • Therefore, *Jimmy Choo* will not have to incur additional payments of interest charges	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context **(AO2)** • Attempts to deconstruct business information and/or issues, finding limited connections between points **(AO3)**
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies **(AO2)** • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies **(AO3)**
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (**AO2)** • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning **(AO3)**

Q. No.	Evaluate the factors *Jimmy Choo* would have to consider when making decisions on the location of a new factory. You should use the information provided as well as your own knowledge of business.	Mark
4 (c)	**AO1 = 3 marks AO2 = 3 marks AO3 = 3 marks AO4 = 3 marks** **AO1** • *Jimmy Choo* would need to locate its factory near to where labour can be found • Locating the factory so it is easily accessible by road, rail and sea **AO2** • *Jimmy Choo* will need a wide variety of skilled labour from machinists producing handbags to employees with financial skills • If the factory is easily accessible it could reduce the transport costs of dress material from suppliers **AO3** • By locating near to skilled labour force in Italy could reduce the overall costs • It will also make delivery of the finished goods easier by having roads and rail nearby **AO4** • However, by locating near to skilled labour could be more expensive as the cost of labour may be higher, increasing overall costs • However, infrastructure may affect the location as opposed to other considerations such as delivery to the factory and from the factory may be more important	**(12)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-4	• Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used. (AO1) • Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	5 - 8	• Demonstrates mostly accurate knowledge and understanding of business concepts and issues including appropriate use of business terminology in places. (AO1) • Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	9 - 12	• Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology. (AO1) • Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

2 (a)	**A02 - 1 mark** Award 1 mark for a reason why branding is important to *Saha* in the context of the business. • The name/logo of the business should be recognisable to hotels and restaurants **(1)** • to distinguish *Saha*'s robots from those of competitors such as Xio **(1)** • To build relationships and customer loyalty with customers who buy for the hospitals **(1)** **NB** Do not accept a reason that is not in the context of *Saha* **Accept any other appropriate response**.	**(1)**

Question Number	State **one** task that an employee working in the production department at *Saha* might do. **Answer**	**Mark**
2 (b)	**A02 - 1 mark** Award 1 mark for a valid task that an employee in the production department might do, in the context of the business. • The employee may work on the production line fitting batteries to the robots **(1)** • The employee may be responsible for the final quality testing of each robot before they are delivered to restaurants **(1)** **NB** Do not accept a task that is not in the context of *Saha* **Accept any other appropriate response.**	**(1)**

Question Number	Explain **one** disadvantage for a business of using flow production to produce its goods. **Answer**	Mark
2 (c)	**A01 - 3 marks** Award 1 mark for one disadvantage to a business of using flow production, plus 2 further marks for explaining the reason, for a maximum of 3 marks. • The employees may get bored on the production line **(1)** as job roles are likely to be monotonous **(1)** leading to poorly motivated employees/high labour turnover **(1)** • The production facility may be inflexible **(1)** as the goods produced are standardised/similar **(1)** which may prevent the business from tailoring its products to individual tastes of its customers **(1)** **NB** No marks are awarded for a definition. Answers that list three disadvantages of a business using flow production with no explanation will get 1 mark only. **Accept any other appropriate response.**	**(3)**

Question Number	Explain **one** method of above the line promotion a business may use to increase its sales revenue. **Answer**	**Mark**
2 (d)	**A01 - 3 marks** Award 1 mark for an above the line promotion method a business might use to increase its sales revenue, plus 2 further marks for explaining this method, for a maximum of 3 marks. • A business may use television advertising **(1)** as this form of advertising may be viewed by a wide audience **(1)** leading to increased awareness of the product **(1)** • A business could use billboards **(1)** which can be seen by many people as they drive in their cars or walk in busy areas **(1)** leading to increased brand recognition of the products **(1)** **NB** No marks are awarded for a definition. Answers that list three above the line promotion methods a business might use to sell more products, with no explanation will get 1 mark only. **Accept any other appropriate response**.	**(3)**

Question Number	Explain **one** reason why the proximity to materials is important to a business when locating to a new factory. **Answer**	Mark
2 (e)	**A01 - 3 marks** Award 1 mark for a reason why proximity of material is important to a business when locating to a new factory, plus 2 further marks for explaining the reason, for a maximum of 3 marks. • Locating close to materials may reduce delivery costs **(1)** as the material only has to travel a short distance to the new factory **(1)** which reduces total cost/increases the profitability of the business **(1)** • Access to materials which are close to the new factory may save time **(1)** because if the business runs out of inventory **(1)** it could be delivered quickly and prevent delays in production **(1)** **NB** No marks are awarded for a definition. Answers that list three reasons why proximity of material is important, with no explanation will get a maximum of 1 mark **Accept any other appropriate response.**	**(3)**

Question Number	When *Saha* expands its business it will require additional finance. It is considering two options: **Option 1:** crowdfunding **Option 2:** loan capital Justify which **one** of these two options *Saha* should choose. **Indicative content**	**Mark**
2 (f)	**AO2 = 3 marks AO3 = 3 marks AO4 = 3 marks** **<u>AO2</u>** • **Option 1** – *Saha* may appeal to the public for funding to expand its sale of robots into all continents of the world • **Option 2** – *Saha* could use a loan to build new factories to manufacture the new robots for homes **<u>AO3</u>** • **Option 1** – Investors may be willing to contribute small amounts to the expansion which do not have to be repaid/does not increase the debt of *Saha* • **Option 2** – It is possible that a loan for a large amount of money can be received from the bank quickly to enable *Saha* to pursue its expansion programme **<u>AO4</u>** • **Option 1** – However, there is no guarantee that sufficient funds would be raised through crowdfunding to allow *Saha* to pursue its ambitious expansion plans • **Option 2** – However, the loan will incur interest rates that have to be paid in addition to the loan amount which will increase costs/reduce profitability	**(9)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-3	• Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3). • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made (AO4).
Level 2	4-6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3). • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made (AO4).
Level 3	7 - 9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3). • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made (AO4).

2 (a)	**AO2 - 1 mark** Award 1 mark for a valid factor *Four Fitness* may consider that could influence the location of a new gym • The proximity to suitably qualified gym instructors who will want to work at the gym **(1)** **NB** Do not accept a factor that is not in the context of *Four Fitness.* **Accept any other appropriate response**.	**(1)**

Question Number	State **one** reason why branding is important to *Four Fitness.* **Answer**	Mark
2 (b)	**AO2 - 1 mark** Award 1 mark for a valid reason why branding is important to *Four Fitness.* • It makes the highly experienced gym instructors stand out against its competitors **(1)** **NB** Do not accept a reason that is not in the context of *Four Fitness.* **Accept any other appropriate response.**	**(1)**

Question Number	Explain **one** advantage to a business of using total quality management. **Answer**	Mark
2 (c)	**AO1 - 3 marks** Award 1 mark for identification of an advantage to a business of using total quality management, plus 2 further marks for explaining this advantage, for a maximum of 3 marks. • Increased customer satisfaction **(1)** as managing quality is the responsibility of all employees **(1)** so they will be fully trained to complete their role effectively and consistently **(1)** **NB** Answers that list three advantages with no explanation will get 1 mark only. **Accept any other appropriate response.**	**(3)**

Question Number	Explain **one** problem a business might face as a result of ineffective communication. **Answer**	Mark
2 (d)	**AO1 - 3 marks** Award 1 mark for a problem a business might face as a result of ineffective communication, plus 2 further marks for explaining this problem, for a maximum of 3 marks. • Employees may become demotivated as they do not understand what they have to do **(1)** leading to lower levels of productivity **(1)** and increased costs for the business **(1)** **NB** Answers that list three problems with no explanation will get 1 mark only. **Accept any other appropriate response**.	**(3)**

Question Number	Explain **one** disadvantage to a small business of borrowing money from a bank. **Answer**	Mark
2 (e)	**AO1 - 3 marks** Award 1 mark for a disadvantage to a small business of borrowing money from a bank, plus 2 further marks for explaining that disadvantage, for a maximum of 3 marks. • Borrowing from a bank means the business has to pay back the loan with interest **(1)** which will increase its costs **(1)** leading to a reduction in profit **(1)** **NB** Answers that list three disadvantages with no explanation will get 1 mark only. **Accept any other appropriate response.**	**(3)**

Question Number	*Four Fitness* is looking to introduce a new service to increase its market share. It is considering two options. **Option 1:** as part of its monthly subscription price, members are given a 'Technogym Electronic Key' which is inserted into the gym equipment. The key will track and store their progress. An instructor helps them to analyse their progress. **Option 2:** introduce links to online fitness classes on its website which can be accessed from home. Customers will be charged for each fitness class downloaded. **Indicative content**	**Mark**
2 (f)	**AO2 = 3 marks AO3 = 3 marks** **AO4 = 3 marks** **AO2** • **Option 1** – This can create a USP for the gym making it stand out from its competitors • **Option 2** – This will add an extra element to its website as it is currently for information only **AO3** • **Option 1** – This can draw new customers in as they will also have access to specialist face to face advice from the instructor as part of the membership package • **Option 2** – This may draw customers in from further away as they will not have to be on site to access the videos and if they feel it is worth it they are more likely to pay for more videos leading to an increase in market share **AO4** • **Option 1** – However, if customers do not want access to this service as part of their membership they may feel they are being overcharged and the gym could be at risk of losing customers to its competitors therefore decreasing its market share • **Option 2** – However, advertising costs will increase to widely draw in customers in as some may not want to pay for the videos if they can access free alternatives on the internet	**(9)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-3	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	4-6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	7 - 9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

Question Number	Define the term **economies of scale.** **Answer**	Mark

3 (a)	**A01 - 1 mark** Award 1 mark for a correct definition of **share capital**. • The funds a company raises by issuing shares **(1)**	**(1)**

Question Number	Outline how *CCT* could use quantitative research data to improve its service. **Answer**	**Mark**
3 (b)	**A02 - 2 marks** Award 1 mark for identifying a way quantitative research data might be used by *CCT to* improve its service, plus 1 further mark for linking it to the context of the question. • Using data on how much people are willing to pay for the bicycle tours **(1)** could lead to *CCT* charging a more competitive price (**1)** • Using data on the number of people who require electric bicycles **(1)** could lead to *CCT* providing more electric bicycles at peak times **(1)** **NB** Do not accept a way that is not in the context of *CCT*. **Accept any other appropriate response.**	**(2)**

Question Number	Calculate, to **two** decimal places, the gross profit margin. You are advised to show your working. **Answer**	**Additional guidance**	**Mark**
3 (c)	**A02 - 2 marks** 71 500/ 85 000 x 100 **(1)** = 84.12 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Analyse the possible effects on *CCT* of recruiting externally. **Indicative content**	**Mark**
3 (d)	**AO2 = 3 marks AO3 = 3 marks** **<u>AO2</u>** • It provides a larger pool of potential candidates who may have specialised knowledge of marketing team-building activities • It may be expensive and time-consuming to advertise, shortlist and interview candidates to promote the bicycle tours **<u>AO3</u>** • This could lead to the recruitment of a marketing manager who can provide new ideas to *CCT* and provide a competitive edge in the bicycle tour market • This could lead to time and money spent on recruitment rather on the development of its current services and employees to grow its business	**(6)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	Feedback from some customers suggested they became tired during the bicycle tours. To overcome this problem *CCT* is planning to purchase electric bicycles. To fund the cost of purchasing the electric bicycles, *CCT* is considering two options: Justify which **one** of these two options *CCT* should choose. **Option 1:** selling assets **Option 2:** retained profit **Indicative content**	**Mark**
3 (e)	**AO2 = 3 marks AO3 = 3 marks** **AO4 = 3 marks** **AO2** • **Option 1** – selling off any bicycle equipment *CCT* does not use can provide it with cash to buy the bicycles • **Option 2** – If *CCT* has retained profit it has immediate access to the funds to purchase the electric bicycles **AO3** • **Option 1** – This means they are making good use of any assets they no longer use • **Option 2** – This means that CCT can adapt quickly to the changing wants and needs of its customers **AO4** • **Option 1** – However, as the electric bicycles cost £550 each, *CCT* may not have many surplus assets to sell off that will cover the cost for all of the bicycles leaving them less competitive against other bicycle tours. • **Option 2** – However, if *CCT* uses all of its retained profit to purchase the bicycles it will not have any funding to cover any unforeseen circumstances or emergencies	**(9)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-3	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	4-6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	7 - 9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

Question Number	Calculate the total discount received by a business if it books eight people on a team-building tour. You are advised to show your workings. **Answer**	Additional guidance	Mark

Question Number	Answer	Mark
3 (a)	**AO1 = 1 mark** Award 1 mark for the correct definition of liquidity. • Liquidity is how easily a business can change its assets into cash (1).	**(1)**

Question Number	Answer	Mark
3 (b)	**AO2 = 2 marks** Award 1 mark for identifying a possible financial objective *TADS* might have. One further mark for outlining it in the context of the business. • Ollie is looking to increase his profits (1). He could do this by increasing the number of instruments taught (1).	**(2)**

Question Number	Answer	Additional guidance	Mark
3 (c)	**A02 – 2 marks** Net cash flow = 7 000 – 3 000 = 4 000 (1) Closing balance = 4 000 + 4 000 = 8 000 (1)	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Indicative content	Mark
3 (d)	**AO2 = 3 marks AO3 = 3 marks** **A02** • If *TADS* has sufficient cash it can pay its electricity bills for the music studio. • If *TADS* runs out of cash it means it cannot pay its music teachers. **A03** • If *TADS* cannot afford to pay its bills, then the electricity would be cut and no lessons could take place. • If *TADS* can no longer pay its teachers, it cannot offer any music lessons.	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3–4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5–6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	Indicative content	Mark
3 (e)	**AO2 = 3 marks AO3 = 3 marks AO4 = 3 marks** **AO2** • Option 1 – Teaching other musical instruments will bring in new music students and revenue. • Option 2 – By offering online lessons more students will be able to take drum lessons and therefore increase revenue. **AO3** • Option 1 – This would increase its target market due to the wider range of musical instruments being offered leading to an increase in revenue. • Option 2 – This would increase revenue as more students can be taught at the same time in different locations around the country and the world. **AO4** • Option 1 – However, although this may lead to more revenue for the business it would need to find and pay additional teachers to provide this service. • Option 2 – However, there could be technical issues that might lead to lessons being interrupted and not delivered, giving *TADS* a bad reputation.	**(9)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	4–6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	7–9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

Question Number	Answer	Mark
3 (a)	**A01 = 1 mark** Award 1 mark for a correct definition of job share. • Two part-time employees share a single job (1).	**(1)**

Question Number	Answer	Mark
3 (b)	**A02 = 2 marks** Award 1 mark for identifying a reason why high levels of customer satisfaction are important to *Loaf*, plus 1 further mark for linking it to the context of the question. • Returning customers will buy bakery products increasing revenue (1) and potentially higher profits could be returned to the local community (1). **NB** Do not accept a reason that is not in the context of *Loaf*. **Accept any other appropriate response**.	**(2)**

Question Number	Answer	Additional guidance	Mark
3 (c)	**A02 = 2 marks** 22 - 4 = 18 (1) 18 ÷ 90 x 100 = 20 (1)	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Indicative content	Mark
3 (d)	**AO2 = 3 marks AO3 = 3 marks** **AO2** • *Loaf* can see how the business is performing and can calculate the operating profit margin of 20%. • *Loaf* can use this information to compare itself to other bakeries or cooking schools. **AO3** • Other calculations can be made and could allow *Loaf* to take action if performance has deteriorated. • This will enable *Loaf* to judge its performance against its competitors, giving an indication of how well the business is doing.	**(6)**

Level	**Mark**	**Descriptor**
	0	No rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	Indicative content	Mark
3 (e)	**AO2 = 3 marks AO3 = 3 marks** **AO4 = 3 marks** **AO2** • Option 1 – Pop-up events showcasing its bakery products across the country will lead to higher sales. • Option 2 – Introducing different cookery courses will target new customers wanting to learn new cookery skills. **AO3** • Option 1 – As *Loaf* already runs pop-up events it will not be costly to run these in other areas. The revenue from these events will increase cash inflow while the cost may only have a small effect on cash outflow. • Option 2 – By offering a wider range of cookery courses this may increase cash inflow and make use of its existing facilities, generating increased inflows. **AO4** • Option 1 – However, as Loaf may not be known and the costs of running these pop- up events across the country could be higher than the revenue from them leading to a negative net cash flow. • Option 2 – However, this may not increase net cash flow because *Loaf* will still have to run the classes even if they are not full so could end up spending more on the teachers and food, resulting in higher outflows than inflows.	**(9)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-3	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	4-6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	7 - 9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

2 (a)	A02 - 1 mark Award 1 mark for a valid external factor in the context of the business. • A change in demand patterns could lead to people buying more organic farmed produce (1). Accept any other appropriate response.	**(1)**

Question Number	State one reason why NOF might use other retailers to sell its products Answer	Mark
2 (b)	A02 - 1 mark Award 1 mark for a valid reason of using retailers in the context of the business. • NOF is able to sell its organic farmed produce to other outlets giving it a wider market (1). Accept any other appropriate response.	**(1)**

Question Number	Explain one benefit to a business of using secondary market research Answer	Mark
2 (c)	A01 - 3 marks Award 1 mark for identification of a benefit to a business of using secondary market research, plus 2 further marks for explaining this benefit for a business, for a maximum of 3 marks. • Businesses save money by not carrying out the research themselves (1) as the information is freely accessible on the internet (1) and they can access a large amount of information at no cost (1). NB Answers that list three benefits with no explanation will get a maximum of 1 mark. Accept any other appropriate response.	**(3)**

Question Number	Explain one limitation of a cash flow forecast when making business decisions Answer	Mark
2 (d)	A01 - 3 marks Award 1 mark for identification of a limitation of a cash flow forecast, plus 2 further marks for explaining this limitation, for a maximum of 3 marks. • A limitation is that it is a forecast not actual figure (1). The forecast does not show what happens if goods are not sold (1) or provide a contingency plan if this occurs (1). NB Answers that list three limitations with no explanation will get a maximum of 1 mark. Accept any other appropriate response.	**(3)**

Question Number	Explain one benefit to a business of using crowdfunding as a source of finance Answer	Mark
2 (e)	A01 - 3 marks Award 1 mark for the identification of a benefit of using crowdfunding as a source of finance, plus 2 further marks for explaining that benefit, for a maximum of 3 marks. • Crowdfunding can be a fast way to raise finance (1) from many small investors (1) when no other lender may be available (1) NB Answers that list three benefits with no explanation will get a maximum of 1 mark. Accept any other appropriate response.	**(3)**

Question Number	NOF is considering two options to introduce the product into the market: Option 1: offering a low introductory price for three months Option 2: selling at the same price as competitors. Justify which one of these two options NOF should choose. Indicative content	Mark
2 (f)	AO2 = 3 marks AO3 = 3 marks AO4 = 3 marks AO2 • Option 1 – By offering an introductory price could entice shoppers in the farm shop to try the popcorn. • Option 2 – Customers might recognise the farm's name so will buy the popcorn when comparing to its competition. AO3 • Option 1 – This could lead to an increase in sales due to the low price and will increase revenue. • Option 2 – NOF could see an increase in customers as it is a local brand that people trust so are more willing to buy a new product that it launches. AO4 • Option 1 – However, the profit on each bag of popcorn will be low even though sales may increase so in the short-term profits might suffer. • Option 2 – However, as they do not have an established brand of popcorn customers may choose to buy a more popular branded popcorn they know.	**(9)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	4–6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	7– 9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

1 (a) (i)	**AO1 - 1 mark** **The only correct answer is D – Pay suppliers later** **A –** this is not correct because it will decrease cash-flow **B** – this is not correct because it could increase cash-flow in the long-term but not immediately **C** – this is not correct because it will decrease cash-flow	**(1)**

Question Number	Which **one** of the following is an example of primary market research? **Answer**	**Mark**
1 (a) (ii)	**AO1 - 1 mark** **The only correct answer is B – Postal survey** **A –** this is not correct because it is an example of secondary market research **C –** this is not correct because it is an example of secondary market research **D** - this is not correct as it is an example of secondary market research	**(1)**

Question Number	Which **one** of the following is a fixed cost? **Answer**	**Mark**
1 (a) (iii)	**AO1 - 1 mark** **The only correct answer is A – Rent** **B** – this is not correct because it is a variable cost **C** – this is not correct because it is a variable cost **D** – this is not correct because it is a variable cost	**(1)**

Question Number	Which **one** of the following is used to calculate the break-even point? **Answer**	Mark
1 (a) (iv)	**AO1 - 1 mark** **The only correct answer is D – Fixed costs ÷ (selling price – variable costs)** **A –** this is not correct because it is does not calculate the break-even point **B –** this is not correct because it is does not calculate the break-even point **D –** this is not correct because it is does not calculate the break-even point	**(1)**

Question Number	Which **one** of the following is the total cost in euros of buying 2 weeks of salmon? **Answer**	Mark
1 (a) (v)	**AO2 - 1 mark** **The only correct answer is D – €448.58** **A –** this is not correct because it is the cost of 10kgs of salmon in pounds **B –** this is not correct because it is the cost of 10kgs of salmon in euros **C –** this is not correct because it is the cost of 20kgs of salmon in pounds	**(1)**

Question Number	Which **one** of the following is the markup of prawns? **Answer**	Mark
1 (a) (vi)	**AO2 - 1 mark** **The only correct answer is C – 19.1%** **A –** this is not correct because it is the cost of a kilogram of prawns as a percentage **B –** this is not correct because it is the selling price of a kilogram of prawns as a percentage **D –** this is not correct because it is double the cost of a kilogram of prawns as a percentage	**(1)**

Question Number	Define the term **job production** **Answer**	Mark
1 (b)	**AO1 - 1 mark** Award 1 mark for a correct definition of job production. • When an item is made and finished before the next one is started **(1)**	**(1)**

Question Number	Define the term **diseconomies of scale** **Answer**	Mark
1 (c)	**AO1 - 1 mark** Award 1 mark for a correct definition of diseconomies of scale. • Rising average costs as units increase **(1)**	**(1)**

Question Number	State **one** method *Can Culleretes* could use to collect quantitative market research. **Answer**	Mark
1 (d)	**A02 - 1 mark** Award 1 mark for a method *Can Culleretes* could use to collect quantitative market research in the context of *Can Culleretes.* • *Can Culleretes* could use a questionnaire to get feedback on its new menu from its customers **(1)** **NB:** Do not accept a method that is not in the context of *Can Culleretes.* **Accept any other appropriate response.**	**(1)**

Question Number	Calculate the net cash flow for *Can Culleretes*. **Answer**	**Additional guidance**	**Mark**
1 (e)	**A02 - 2 marks** 4 600 – 3 000 **(1)** = 1 600 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Explain **one** benefit to a business of improving communication with its employees. **Answer**	**Mark**
1 (f)	**A01 - 3 marks** Award 1 mark for identification of a benefit to a business if it improves communication with employees, plus 2 further marks for explaining the benefit, for a maximum of 3 marks. • Employees will have a clear understanding of what has to be done **(1)** this could mean that fewer mistakes will be made **(1)** leading to an increase in productivity of employees **(1)** **NB** Answers that list three benefits with no explanation will get 1 mark only. **Accept any other appropriate response.**	**(3)**

Question Number	Analyse the likely impact on productivity if *Can Culleretes* launch this app. **Indicative content**	Mark
1 (g)	**AO2 = 3 marks AO3 = 3 marks** **AO2** • The app means waiters do not have to take orders at the customer's table • As soon as customers place the order the kitchen will receive the order immediately **AO3** • This will reduce the cost to the business so the waiter can spend more time doing other tasks rather than taking orders • This will increase productivity as it will make for a more efficient ordering system for the restaurant	**(6)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

1 (a) (i)	**AO1 - 1 mark** **The only correct answer is B – The lowest amount a business can legally pay its employees** **A –** Fixed amount per year and paid monthly – this is not the correct answer as it is a salary **C** – Payment made to an employee for working additional hours – this is not the correct answer as it is overtime **D** – Payment made to an employee for reaching a target – this is not the correct answer as it is a bonus	**(1)**

Question Number	Which **one** of the following describes the cash cow category in the Boston matrix? **Answer**	**Mark**
1 (a) (ii)	**AO1 - 1 mark** **The only correct answer is C – Low market growth, high market share** **A –** High market growth, high market share – this is not correct as it is the star category **B –** High market growth, low market share - this is not correct as it is the question mark category **D –** Low market growth, low market share - this is not correct as it is the dog category	**(1)**

Question Number	Which **one** of the following would give a business a negative cash flow? **Answer**	Mark
1 (a) (iii)	**AO1 - 1 mark** **The only correct answer is D – Cash outflow is greater than cash inflow** **A** – Cash inflow is greater than cash outflow – this is not correct as it would give the business positive cash flow **B** – Costs are greater than profits – this is not correct as it would give the business a loss **C** – Profits are greater than costs – this is not correct as it would give the business profit	**(1)**

Question Number	Which **one** of the following is a recruitment document that outlines the tasks and responsibilities of a job? **Answer**	Mark
1 (a) (iv)	**AO1 - 1 mark** **The only correct answer is A – Job description** **B –** Person specification - this is not correct as it is a document outlining person attributes **C –** Application form – this is not correct as it is a form potential employees fill in **D –** Curriculum vitae – this is not correct as it is a document outlining the skills, experiences and qualifications of the potential employee	**(1)**

Question Number	Which **one** of the following is the total cost, in euros, of buying a four week supply of wrapping paper? **Answer**	Mark
1 (a) (v)	**AO2 - 1 mark** **The only correct answer is C – €317.40** **A –** €79.35 – this is not the correct answer as it is the cost of 150 metres of wrapping paper for a week **B –** €276.00 – this is not the correct answer as it is 4 weeks of wrapping paper in pounds **D –** €396.75 – this is not the correct answer as it is 5 weeks of wrapping paper in euros	**(1)**

Question Number	Which **one** of the following is the markup for a selection of traditional flowers? **Answer**	Mark
1 (a) (vi)	**AO2 - 1 mark** **The only correct answer is A – 54.76%** **B –** 64.62% – this is not the correct answer as it is 42/65 x100 **C –** 182.61% – this is not the correct answer as it is 42/23 x100 **D –** 282.61% – this is not the correct answer as it is 65/23 x100	**(1)**

Question Number	Define the term **economies of scale.** **Answer**	Mark
1 (b)	**AO1 - 1 mark** Award 1 mark for a correct definition of **economies of scale.** • A fall in average costs as output increases **(1)**	**(1)**

Question Number	Define the term **stakeholder.** **Answer**	Mark
1 (c)	**AO1 - 1 mark** Award 1 mark for a correct definition of **stakeholder**. • Individuals or groups with an interest in the operation of a business **(1)**	**(1)**

Question Number	State **one** benefit to *Aude Rose* of using just-in-time (JIT) production. **Answer**	Mark
1 (d)	**A02 - 1 mark** Award 1 mark for a benefit to *Aude Rose* of using just-in-time production in the context of the business. • *Aude Rose* will have less waste as the flowers will be fresh when delivered to the Paris shop **(1)** **NB** Do not accept a benefit that is not in the context of *Aude Rose*. **Accept any other appropriate response.**	**(1)**

Question Number	Calculate how many bunches of flowers will *Aude Rose* have to sell to break-even. **Answer**	**Additional guidance**	**Mark**
1 (e)	**A02 - 2 marks** 50 000/(50 – 10) **(1)** = 1 250 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Explain **one** reason why a business might fail. **Answer**	Mark
1 (f)	**A01 - 3 marks** Award 1 mark for identification of a reason why a business might fail, plus 2 further marks for explaining the reason, for a maximum of 3 marks. • A lack of finance **(1)** from poor cashflow can lead to its failure **(1)** leading to an issue of paying for inventory to sell on to customers **(1)** **NB** Answers that list three reasons with no explanation will get 1 mark only. **Accept any other appropriate response.**	**(3)**

Question Number	Analyse the importance to Aude Anglaret of motivating her employees. **Indicative content**	Mark
1 (g)	**AO2 = 3 marks AO3 = 3 marks** **AO2** • If the florists are motivated, they could produce more bunches of flowers for sale to customers • The florists are more likely to stay in the flower shop if they are paid more **AO3** • Increased productivity could lead to greater outputs and more sales • Employees who stay will reduce the cost of recruitment and training of new employees	**(6)**

Level	Mark	Descriptor
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Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

2 (a)	**A02 - 1 mark** Award 1 mark for a valid reason of *IKEA* would employ temporary staff in the context of the business. • At a busy time of the year when a furniture sale is happening requiring more sales assistants **(1)** • If a delivery driver has a long-term illness, then a temporary driver would be required to take over the delivery of flat packed tables and chairs **(1)** **NB** Do not accept a reason that is not in the context of *IKEA.* **Accept any other appropriate response**.	**(1)**

Question Number	State **one** financial objective *IKEA* might have. **Answer**	**Mark**
2 (b)	**A02 - 1 mark** Award 1 mark for a financial objective in the context of the business. • *IKEA* wants to increase its market share in the sale of furniture **(1)** • *IKEA* wants to survive in the competitive market of selling home goods **(1)** **NB** Do not accept a financial objective that is not in the context of *IKEA.* **Accept any other appropriate response.**	**(1)**

Question Number	Explain **one** reason why cash flow forecasting is important to a business. **Answer**	**Mark**
2 (c)	**A01 - 3 marks** Award 1 mark for why cash flow forecasting is important to a business plus 2 further marks for explaining the reason, for a maximum of 3 marks. • By using a cash flow forecast businesses can plan for the future **(1)** by estimating the amount of revenue coming in **(1)** and also the amount going out of the business **(1)** • By using a cash flow forecast a business can identify periods where there may be insufficient funds **(1)** to carry out the work required **(1)** so they can plan for that situation and make adjustments to enable survival **(1)** **NB** No marks are awarded for a definition. Answers that list three reasons why cash flow forecasting is important to a business, with no explanation will get 1 mark only. **Accept any other appropriate response.**	**(3)**

Question Number	Explain **one** reason why diseconomies of scale may occur. **Answer**	Mark
2 (d)	**A01 - 3 marks** Award 1 mark for a reason why diseconomies of scale may occur, plus 2 further marks for explaining this reason, for a maximum of 3 marks. • The business may become too large **(1)** which then demotivates employees **(1)** resulting in falling productivity levels **(1)** • The business relies more on bureaucracy **(1)** meaning that more time is spent in administration **(1)** resulting in decision making being slower **(1)** **NB** No marks are awarded for a definition. Answers that list three reasons why diseconomies of scale may occur, with no explanation will get 1 mark only. **Accept any other appropriate response**.	**(3)**

Question Number	Explain **one** reason why businesses continually design new products. **Answer**	Mark
2 (e)	**A01 - 3 marks** Award 1 mark for a reason why businesses continually design new products plus 2 further marks for explaining why, for a maximum of 3 marks. • By designing new products, it keeps existing customer interested **(1)** this may mean that they will visit a store to see and purchase the new goods **(1)** increasing profit for the business **(1)** • Fashions constantly change **(1)** and if a business does not introduce new products **(1)** they may find that demand for their products decreases **(1)** **NB** No marks are awarded for a definition. Answers that list three reasons of why businesses design new products with no explanation will get 1 mark only. **Accept any other appropriate response.**	**(3)**

Question Number	**Option 1**: above the line promotion **Option 2:** below the line promotion. **Indicative content**	Mark
2 (f)	**AO2 = 3 marks AO3 = 3 marks AO4 = 3 marks** **<u>AO2</u>** • **Option 1** – Using social media to advertise its wide range of chairs, may reach out to a worldwide audience • **Option 2** – By using coupons with a discount of 10% off purchasing any bedroom furniture **<u>AO3</u>** • **Option 1** – Social media advertising can target certain age groups and people, encouraging them to visit the stores • **Option 2** – Whilst visiting the store to use their discount vouchers they are more likely to see other goods such as lights to go in the bedroom and purchase them at the same time **<u>AO4</u>** • **Option 1** – However, not everybody uses social media so many people would not be aware of the advert to purchase furniture • **Option 2** – However, there is no guarantee that customers are going to use the coupon or even visit the store, so the advertising costs would be wasted	**(9)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-3	• Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3). • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made (AO4).
Level 2	4-6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3). • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made (AO4).
Level 3	7 - 9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3). • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made (AO4).

4 (a)	**AO2 - 2 marks** 14 000 000 ÷ 103 **(1)** = 135 922.33 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Analyse why *M&M* wants to continue planting trees. **Indicative content**	**Mark**
4 (b)	**AO2 – 3 marks AO3 – 3 marks** **<u>AO2</u>** • *M&M* planting trees is good for its image, its customers and the sale of its cars • This would improve the environment and air quality in countries where *M&M* has factories making vehicles **<u>AO3</u>** • This would increase public awareness of the environment and encourage more people to purchase from *M&M* • Even though the manufacture of vehicles and tractors does pollute the atmosphere *M&M* are trying to reduce the amount of damage done	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	Evaluate why *M&M* uses cash flow forecasting to help inform decision making. **Indicative content**	Mark
4 (c)	**AO1 = 3 marks AO2 = 3 marks** **AO3 = 3 marks AO4 = 3 marks** **AO1** • *M&M* using their cash flow forecast, can help them predict net cash flow for the future • If *M&M* predict that the cash inflow will be high then they may decide to invest in other areas of the business **AO2** • Depending on whether there is sufficient funds they could introduce additional features on the tractors • The funds could be used to employ specialist staff who have skills in developing electronic devices on the new cars being produced **AO3** • If there are not sufficient funds then *M&M* may decide to wait until they have the funds available • This would then maintain their image of introducing new and innovative features to the cars **AO4** • However, a cash flow forecast is only a prediction and does not guarantee that the funds will be there in the future • However, there is no guarantee that there will be sufficient cash to cover all the costs of employing the staff or that the new features will be liked by customers	**(12)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-4	• Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used. (AO1) • Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	5 - 8	• Demonstrates mostly accurate knowledge and understanding of business concepts and issues including appropriate use of business terminology in places. (AO1) • Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	9 - 12	• Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology. (AO1) • Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

4 (a)	**A02 - 2 marks** 1 000/(4.50-3.25) **(1)** = 800 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Analyse the importance of cash to *PPS*. **Indicative content**	**Mark**
4 (b)	**AO2 – 3 marks AO3 – 3 marks** **<u>AO2</u>** • If *PPS* has sufficient cash it can pay the costs of buying the treats • If *PPS* does not have sufficient cash it may not be able to pay the employees running the pet hotel **<u>AO3</u>** • *PPS* can continue to buy the treats for sale to their customers • The pet hotel may have to close if employees are not paid leading to a loss of cash revenue	**(6)**

Level	**Mark**	**Descriptor**
	0	No Rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	Evaluate the importance of marketing to *PPS* so it can keep its market share. You should use the information provided as well as your own knowledge of business. **Indicative content**	Mark
4 (c)	**AO1 = 3 marks AO2 = 3 marks** **AO3 = 3 marks AO4 = 3 marks** **AO1** • Marketing informs customers of the products the business is offering • Marketing can build long lasting customer relationships **AO2** • *PPS* can remind customers with information about the products it offers such as CCTV cameras in the pet hotel • *PPS* can identify customer needs by giving its own customers questionnaires to get feedback **AO3** • It is important for *PPS* to create greater brand awareness to make it stand out against the competition so that existing customers remain with *PPS* • If *PPS* gather enough reliable information from its customers, they may be able to identify its customer needs to be able to target its products and services more accurately giving them a competitive edge over other pet businesses **AO4** • However, it can be time consuming to market the business as *PPS* will need to approach the customers that come in store or provide detailed information on their website to keep it competitive • However, this may not work as some of their customers may still try the new pet business if it is charging a lower price than *PPS*	**(12)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-4	• Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used. (AO1) • Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	5 - 8	• Demonstrates mostly accurate knowledge and understanding of business concepts and issues including appropriate use of business terminology in places. (AO1) • Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	9 - 12	• Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology. (AO1) • Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

1 (a) (i)	**AO1 - 1 mark** The only correct answer is **B -** Personal satisfaction **A** – is not the correct answer as generating wealth is a financial objective **C** - is not the correct answer as maximising profit is a financial objective **D** - is not the correct answer as regular income is a financial objective	**(1)**

Q. No.	Which **one** of the following would be a benefit to a business delaying paying its suppliers? **Answer**	**Mark**
1 (a) (ii)	**AO1 - 1 mark** The only correct answer is **A -** Improved cash flow **B** – is not the correct answer as profit would not be greater if you delayed paying suppliers **C** - is not the correct answer as suppliers would want more interest on the outstanding amount **D** - is not the correct answer as delaying payment would have the opposite effect on suppliers	**(1)**

Q. No.	Which **one** of the following would be the total monthly cost for *Jewellery For You*?	**Mark**
1 (a) (iii)	**AO1 - 1 mark** The only correct answer is **B -** €3 480 **A** – is not the correct answer as €924 is 27 x 12 + 600 **C** - is not the correct answer as €6 480 is 240 x 27 **D** - is not the correct answer as €7 080 is 240 x 27 + 600	**(1)**

Q. No.	Which **one** of the following is a reason why a business would produce a cash flow forecast? **Answer**	Mark
1 (a) (iv)	**AO1 - 1 mark** The only correct answer is **C -** It can help a bank decide whether it should lend money to a business **A** – is not the correct answer as it is not a legal requirement that a business has a cash flow forecast **B** – is not the correct answer as a cash flow forecast does not ensure that the business will be successful **D** - is not the correct answer as a forecast does not show the profit and loss of a business in the past six months	**(1)**

Q. No.	Which **one** of the following was the cost of the holiday in Thai Baht? **Answer**	Mark
1 (a) (v)	**AO1 - 1 mark** The only correct answer is **C -** 40 828.18 **A** – is not the correct answer as 24.20 is 998 ÷ 40.91 **B** – is not the correct answer as 1038.91 is 998 + 40.91 **D** - is not the correct answer as 40 869.09 is 998 x 40.91 + 40.91	**(1)**

Q. No.	Which **one** of the following is a reason why a sole trader would want to become a private limited company? **Answer**	Mark
1 (a) (vi)	**AO1 - 1 mark** The only correct answer is **D -** Increased ability to raise finance **A** – is not the correct answer as the business would have to publish its financial records so therefore not confidential **B** – is not the correct answer as the private limited company would have limited liability **C** - is not the correct answer as shareholders are not liable for all debts	**(1)**

Q. No.	Define the term **franchise**. **Answer**	Mark
1 (b)	**AO1 - 1 mark** Award 1 mark for a correct definition of **franchise** • A business allows another operator to trade under its name **(1)**	**(1)**

Q. No.	Define the term **profit**. **Answer**	Mark
1 (c)	**AO1 - 1 mark** Award 1 mark for a correct definition of **profit** • Funds that are left over after all costs have been subtracted from the revenue **(1)**	**(1)**

Q. No.	State **one** reason why *TUI* pays its employees above the minimum wage. **Answer**	Mark
1 (d)	**AO2 - 1 mark** Award 1 mark for a valid reason why *TUI* pays its employees above the minimum wage in the context of the business • By *TUI* paying its employees above the minimum wage they are more likely to remain with *TUI* and their knowledge of cruises and holidays will not be lost **(1)** • Employees will feel more valued and gain more knowledge and experience of the travel industry that they could pass on to potential customers **(1)** **NB** Do not accept a reason that is not in the context of *TUI.* Accept any appropriate response	**(1)**

Q. No.	Calculate the total price of a holiday for **two** adults with a 12.5% promotional discount for booking online. **Answer**	Additional Guidance	Mark
1 (e)	**A02 - 2 marks** 725.92 x 2 = 1451.84 1451.84 x 0.125 = 181.48 **(1)** 1451.84 – 181.48 = 1270.36 **(1)** **OR** 725.92 x 0.875 = 635.18 **(1)** 635.18 x 2 = 1270. 36 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct answer with no working.	**(2)**

Q. No.	Explain **one** of the factors in Herzberg's motivational theory. **Answer**	Mark
1 (f)	**A01 - 3 marks** Award 1 mark for identification of a factor in Herzberg's motivational theory, plus 2 further marks for explaining the theory, for a maximum of 3 marks. • One is called a hygiene factor **(1)** where employees are paid for their work **(1)** which means employees gain security knowing they can pay their bills **(1)** • One is called a motivator factor **(1)** employees gain achievement in their work **(1)** which allows them to grow and develop **(1)** **NB** No marks are awarded for a definition. Answers that list three factors with no explanation will get 1 mark only. Accept any appropriate response.	**(3)**

Q. No.	Analyse the benefits for *TUI* from including health and safety training for its employees in their induction training. **Indicative content**	Mark
1 (g)	**AO2 = 3 marks AO3 = 3 marks** **AO2** • Employees working in one of the travel agencies will know what to do if there is an emergency, such as an employee injuring themselves after falling • Employees will be aware of any dangers by ensuring that all computer wires in the agencies are securely fastened to floors and walls so that no one can trip over them **AO3** • They will be able to make decisions quickly as to how to deal with the situation, by knowing where the first aid kit for plasters or bandages • Thus, avoiding any accidents and *TUI* being sued by employees	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context **(AO2)** • Attempts to deconstruct business information and/or issues, finding limited connections between points **(AO3)**
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies **(AO2)** • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies **(AO3)**
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (**AO2)** • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning **(AO3)**

Q. No.	State **one** possible reason why *TUI* would want to keep its customers loyal. **Answer**	**Mark**

2 (a)	**AO2 - 1 mark** Award 1 mark for a reason why *Starbucks* should have good communication with its customers. • By communicating with customers, they are likely to return to buy more sandwiches from *Starbucks* **(1)** • Having good communication with customers encourages them to return to the shop so that a customer orders coffee and cake is understood and accurately delivered **(1)** **NB** Do not accept a reason that is not in the context of *Starbucks*. Accept any appropriate response.	**(1)**

Q. No.	State **one** way *Starbucks* could follow health and safety legislation. **Answer**	**Mark**
2 (b)	**AO2 - 1 mark** Award 1 mark for a valid way *Starbucks* could follow health and safety legislation in the context of the business • Employees must ensure that when they are serving customers with biscuits they are handled with tongs or gloved hands **(1)** • Employees need to following the rules and regulations when using the coffee machines to avoid hot water and steam that could burn their hands **(1)** **NB** Do not accept a way that is not in the context of *Starbucks*. Accept any appropriate response.	**(1)**

Q. No.	Explain **one** reason why many manufacturing businesses use just-in-time (JIT). **Answer**	Mark
2 (c)	**A01 - 3 marks** Award 1 mark for identification of a reason why many manufacturing business use just-in-time (JIT), plus 2 further marks for explaining the reason, for a maximum of 3 marks. • JIT reduces the amount of inventory held by a business **(1)** reducing the costs associated with over ordering of inventory **(1)** meaning overall costs for a business may be reduced **(1)** • JIT reduces the amount of out-of-date or damaged stock **(1)** reducing the amount of storage space required for inventory **(1)** and this can then be used for other business activities **(1)** **NB** No marks are awarded for a definition. Answers that list three reasons with no explanation will get a 1 mark only. Accept any appropriate response.	**(3)**

Q. No.	Explain **one** reason why it is important that businesses pay their suppliers on time. **Answer**	Mark
2 (d)	**A01 - 3 marks** Award 1 mark for identification of one reason why it is important for a business of paying its suppliers on time, plus 2 further marks for explaining the reason for a maximum of 3 marks. • Paying suppliers on time establishes a good relationship with suppliers **(1)** and if a business needs goods urgently from them **(1)** they would be more likely to help them knowing they would be paid on time **(1)** • Paying on time, gives the business better negotiating powers with the supplier **(1)** so that if the supplier trusts them they may negotiate better prices **(1)** thus keeping its costs down **(1)** **NB** No marks are awarded for a definition. Answers that list three reasons with no explanation will get a 1 mark only. Accept any appropriate response.	**(3)**

Q. No.	Explain **one** effect on a business if interest rates are decreased. **Answer**	Mark
2 (e)	**A01 - 3 marks** Award 1 mark for identification of an effect on a business if the interest rates are decreased, plus 2 further marks for explaining the importance, for a maximum of 3 marks. • A decrease in interest rates reduces the cost of borrowing for a business **(1)** making it cheaper to finance new projects/expansion **(1)** improving the profitability of the business **(1)** • This could increase sales income for a business **(1)** because consumers may have more money to spend **(1)** on additional items they might want, which the business sells **(1)** **NB** No marks are awarded for a definition. Answers that list three effects with no explanation will get 1 mark only. Accept any appropriate response.	**(3)**

Q. No.	**Option 1:** financial methods **Option 2:** non-financial methods. Justify which **one** of these two methods *Starbucks* should choose. **Indicative content**	**Mark**
2 (f)	**AO2 = 3 marks, AO3 = 3 marks, AO4 = 3 marks** **AO2** • **Option 1** – By offering financial methods to its employees, such as bonus payments if the coffee shop increases its sales • **Option 2** – If *Starbucks* could offer its employee's non-financial benefits such as job enrichment within the coffee shop, so employees can gain more skills and knowledge of the business **AO3** • **Option 1** – Employees recognise that they are being financially rewarded for working hard and enjoy the extra income and this may encourage them to stay with the business • **Option 2** – Employees will gain new skills and knowledge and feel valued by *Starbucks,* which may help them gain promotion such as becoming an assistant manager and they will feel more loyal to Starbucks **AO4** • **Option 1** – However, not all employees are interested in bonus payments, as many employees are more interested in a good work-life balance and more concerned with non-financial incentives • **Option 2** – However, not all employees are motivated by non-financial methods of motivation, they may prefer having additional funds added to their pay slip so that they can pay their bills	**(9)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-3	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	4-6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	7 - 9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

Q. No.	Define the term **crowdfunding**. **Answer**	Mark

Question Number	Answer	Mark
1 (a) (i)	**AO1 - 1 mark** **B -** Overdraft	**(1)**

Question Number	Answer	Mark
1 (a)(ii)	**AO1 - 1 mark** **C –** Maturity	**(1)**

Question Number	Answer	Mark
1 (a) (iii)	**AO2 - 1 mark** **D -** Rent for *Lavender*'s businesses	**(1)**

Question Number	Answer	Mark
1 (a)(iv)	**AO1 - 1 mark** **A–** Health and safety	**(1)**

Question Number	Answer	Mark
1 (a) (v)	**AO2 - 1 mark** **C –** 11 250	**(1)**

Question Number	Answer	Mark
1 (a)(vi)	**AO2 - 1 mark** **D** - 8 514.00	**(1)**

Question Number	Answer	Mark
1 (b)	**AO1 - 1 mark** Award 1 mark for a correct definition of short-term finance. Money borrowed that must be paid back within 12 months **(1).**	**(1)**

Question Number	Answer	Mark
1 (c)	**AO1 - 1 mark** Award 1 mark for a correct definition of above the line promotion. The use of mass media methods to promote to a large audience **(1).**	**(1)**

Question Number	Answer	Mark
1 (d)	**AO2 - 1 mark** Award 1 mark for a correct reason why *Lavender* would recruit internally in the context of the business. • Employees will know how the different outlets operate such as *L.cafe* **(1).** • Employee will already have knowledge of the cakes made by the business **(1).** **Accept any other appropriate response.**	**(1)**

Question Number	Answer	Additional guidance	Mark
1 (e)	**AO2 - 2 marks** 25 x 12 = 300 15/100 x 300 = 45 300 – 45 **(1).** = 255 **(1).**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Answer	Mark
1 (f)	**AO1 - 3 marks** Award 1 mark for identification of an advantage, plus 2 further marks for explaining how this advantage will affect the business for a maximum of 3 marks. • The franchisee invests in a tried and tested business **(1)** and gets advice and training from the franchisor **(1)** this reduces the risk of failure **(1).** Answers that list more than one advantage with no explanation will get a maximum of 1 mark. **Accept any other appropriate response.**	**(3)**

Question Number	Indicative content	Mark
1 (g)	**AO2 = 3 marks AO3 = 3 marks** **AO2** • Satisfied customers are more likely to repeat purchase of cakes from *Lavender* bakery. • *Lavender* is expanding into different types of food outlets such as *L.bistro, L.cafe* and *L.table.* **AO3** • This leads to an increase in sales and customer loyalty so *Lavender* could end up spending less on promoting their products as satisfied customers will recommend other *Lavender* businesses to their friends and family through word of mouth. • Customer satisfaction in one outlet may lead to customers trying other outlets leading to improved revenues.	**(6)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	Answer	Mark
1 (a) (i)	**AO1 - 1 mark** **D –** Share capital	**(1)**

Question Number	Answer	Mark
1 (a)(ii)	**AO1 - 1 mark** **B -** Age	**(1)**

Question Number	Answer	Mark
1 (a) (iii)	**AO1 - 1 mark** **A –** Market research	**(1)**

Question Number	Answer	Mark
1 (a)(iv)	**AO1 - 1 mark** **C** – Total costs and revenue are the same	**(1)**

Question Number	Answer	Mark
1 (a) (v)	**AO1 - 1 mark** **B –** €34 800	**(1)**

Question Number	Answer	Mark
1 (a)(vi)	**AO2 - 1 mark** **C -** €5 962	**(1)**

Question Number	Answer	Mark
1 (b)	**AO1 - 1 mark** Award 1 mark for a correct definition of insolvency. • When a business can no longer meet its debts **(1)**.	**(1)**

Question Number	Answer	Mark
1 (c)	**AO1 - 1 mark** Award 1 mark for a correct definition of product life cycle. • The stages a product will pass through from its introduction, through to growth, maturity and then decline **(1)**.	**(1)**

Question Number	Answer	Mark
1 (d)	**A02 - 1 mark** Award 1 mark for a valid reason why an employee could be dismissed in the context of the business. • Arriving late on the production line **(1)**. • Stealing an item such as a tyre **(1)**. **Accept any other appropriate response.**	**(1)**

Question Number	Answer	Additional guidance	Mark
1 (e)	**A02 - 2 marks** 89,841 x .23 **(1)** = 20,663.43 89,841 + 20,663 = 110,504 **(1)** **OR** 123/100 x 89,841 **(1)** **=** 110,504 **(1)**	Award 1 mark for correctly substituting numbers into the formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Answer	Mark
1 (f)	**A01 - 3 marks** Award 1 mark for identification of an impact of technology on production, plus 2 further marks for explaining the impact, for a maximum of 3 marks. • Fewer people required to work in the factories doing repetitive jobs **(1)** people get bored doing these jobs and make mistakes **(1).** Less employees brings the cost of goods down **(1).** • More robots are manufacturing the vehicles than previously **(1)** this means that the vehicles can be manufactured in any country **(1)** therefore the business could move to a cheaper country **(1).** Answers that list three impacts with no explanation will get a maximum of 1 mark. **Accept any other appropriate response.**	**3)**

Question Number	Indicative content	Mark
1 (g)	**AO2 = 3 marks AO3 = 3 marks** **AO2** • *Tata Motor Company* highlights that it helps the local community with building schools/working on the environment. • *Tata Motor Company* also invests heavily in the health and welfare of people and the community. **AO3** • The public are more likely to think highly of *Tata Motor Company* if it is using the profits from its business to help local communities. • If there is any bad publicity about the vehicles sold then it could have a negative effect on the business.	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	Answer	Mark
1 (a) (i)	**AO1 = 1 mark** **The only correct answer is B – Income tax** A is not correct because sales tax is not a tax C is not correct because it is a tax paid by limited businesses D is not correct because it is not a tax	**(1)**
Question Number	Answer	Mark
1 (a) (ii)	**AO1 = 1 mark** **The only correct answer is D – Packaging** A is not correct because it is a fixed cost B is not correct because it is a fixed cost C is not correct because it is a fixed cost	**(1)**
Question Number	Answer	Mark
1 (a) (iii)	**AO1 = 1 mark** **The only correct answer is C – Focus groups** A is not correct because it is a method of secondary market research B is not correct because it is a method of secondary market research D is not correct because it is a method of secondary market research	**(1)**

Question Number	Answer	Mark
1 (a) (iv)	**AO1 = 1 mark** **The only correct answer is A –** **Total cash inflow – total cash outflow** B is not correct because it is the incorrect calculation C is not correct because it is the incorrect calculation D is not correct because it is the incorrect calculation	**(1)**
Question Number	Answer	Mark
1 (a) (v)	**AO2 = 1 mark** **The only correct answer is D - €86.25** A is not correct because this is worked out by multiplying five lessons by the exchange rate of €1.15 B is not correct because this is the cost of the lesson C is not correct because this is worked out by multiplying the cost of each lesson at £15 by five lessons	**(1)**
Question Number	Answer	Mark
1 (a) (vi)	**AO2 = 1 mark** **The only correct answer is A – A decrease in cash outflows** B is not correct because this is not an impact of a decrease in the exchange rate C is not correct because this is not an impact of a decrease in the exchange rate D is not correct because this is not an impact of a decrease in the exchange rate	**(1)**

Question Number	Answer	Mark
1 (b)	**AO1 = 1 mark** Award 1 mark for a correct definition of fixed costs. • Costs that do not vary with the level of output (1).	**(1)**

Question Number	Answer	Mark
1 (c)	**AO1 = 1 mark** Award 1 mark for the correct definition of stakeholder. • An individual or a group with an interest in the business (1).	**(1)**

Question Number	Answer	Mark
1 (d)	**AO2 = 1 mark** Award 1 mark for a valid response that relates to investing in computer technology in the context of the business. • *TADS* could improve the quality of the sound that the drums make (1).	**(1)**

Question Number	Answer	Additional guidance	Mark
1 (e)	**AO2 = 2 marks** (350 – 190) / 190 x 100 (1) = 84.21% (1)	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Answer	Mark
1 (f)	**AO1 = 3 marks** Award 1 mark for identification of a disadvantage, plus 2 further marks for explaining how this will affect a business for a maximum of 3 marks. • Partners may disagree and fall out (1) meaning decision making can take longer (1) stopping the business moving forward with new ideas (1). **Accept any other appropriate response.**	**(3)**

Question Number	Indicative content	Mark
1 (g)	**AO2 = 3 marks AO3 = 3 marks** **AO2** • *TADS* is located in a wealthy area near to people with more disposable income. • *TADS* needs to be far away from competitors in the music school industry. **AO3** • It is important to be located close to the target market as parents may not want to travel far for the lessons for their children. • As the service provided is specialised it is best to be far away from other drumming schools as not everyone will want to play them.	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3–4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)

Level 3	5–6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

3 (a)	A01 - 1 mark Award 1 mark for a correct definition of remuneration. • Money paid for work or a service (1)	**(1)**

Question Number	Outline one reason why NOF would choose to use seasonal staff when harvesting its products Answer	Mark
3 (b)	A02 - 2 marks Award 1 mark for identifying a reason why NOF would choose to use seasonal staff, plus 1 further mark for linking it to the context of the question. • As a farm NOF will harvest different crops at different times (1) demand will then increase for seasonal workers at those times (1) NB Do not accept a reason that is not in the context of NOF. Accept any other appropriate response.	**(2)**

Question Number	Answer	Additional guidance	Mark
3 (c)	A02 - 2 marks 2.50 – 1.10 = 1.40 (1) 77÷1.40 = 55 (1) OR 77 ÷ 1.40 (1) = 55 (1)	Award 1 mark for correctly substituting numbers into formula. Award two marks for correct numerical answer without working.	**(2)**

Question Number	Analyse how useful break-even calculations can be for NOF when deciding whether to include ice cream in its product range Indicative content	Mark
3 (d)	AO2 = 3 marks AO3 = 3 marks AO2 • NOF can see that it will need to sell 55 ice creams each day to break even. • NOF can use this information to decide if it can sell 55 tubs a day, 365 days a year. AO3 • It will help NOF to see at what point it starts making a profit and can ask 'what if' questions to see what impact it has on the break-even point. • This might stop NOF from making ice creams as it may not be able to sell 55 tubs all year round.	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3–4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5–6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	To do this NOF is considering two options: Option 1: handing out questionnaires at local retailers Option 2: using the internet to research other farms. Justify which one of these two options NOF should choose. Indicative content	Mark
3 (e)	AO2 = 3 marks AO3 = 3 marks AO4 = 3 marks AO2 • Option 1 – Questionnaires will let NOF approach potential customers face to face to see what will attract them to visit the farm. • Option 2 – NOF can view a large selection of websites to look at other farms and gather information. AO3 • Option 1 – NOF can ask specific questions which will give it detailed feedback that it can use to help attract more customers to its farm. • Option 2 – It will be less time consuming/costly as it can see what other farms offer already and compare it to its own to see if it can improve based on this information. AO4 • Option 1 – However, NOF may not get all of the information it requires or people may not want to fill in the questionnaires whilst they are shopping so it might not be very helpful/limited feedback. • Option 2 – However, NOF may end up spending a lot of time looking at feedback or outdated information which will not be very useful for it and it is not gaining specific feedback on its own farm.	**(9)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	4–6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	7– 9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

1 (a) (i)	**AO1 - 1 mark** **The only correct answer is B – Niche marketing** **A –** this is not correct because it is a form of promotion to the whole market **C** – this is not correct because it is a percentage that the business has of a specific market **D** – this is not correct because it is the activity of gathering information about conditions affecting a market	**(1)**

Question Number	Which **one** of the following is a financial aim for a business? **Answer**	**Mark**
1 (a) (ii)	**AO1 - 1 mark** **The only correct answer is A - Survival** **B –** this is not correct because it is a non-financial aim **C –** this is not correct because it is a non-financial aim **D –** this is not correct because it is a non-financial aim	**(1)**

Question Number	Which **one** of the following is a variable cost? **Answer**	**Mark**
1 (a) (iii)	**AO1 - 1 mark** **The only correct answer is D – Raw materials** **A** – this is not correct because it is a fixed cost **B** – this is not correct because it is a fixed cost **C** – this is not correct because it is a fixed cost	**(1)**

Question Number	Which **one** of the following is a role of the production function? **Answer**	Mark
1 (a) (iv)	**AO1 - 1 mark** **The only correct answer is B – Quality control** **A –** this is not correct because it is a role of the human resources function **C –** this is not correct because it is a role of the marketing function **D –** this is not correct because it is a role of the human resources function	**(1)**

Question Number	Which **one** of the following is the markup on the packs of balloons? **Answer**	Mark
1 (a) (v)	**AO2 - 1 mark** **The only correct answer is D – 134.72** % **A –** this is not correct because it is the cost of the balloon pack **B –** this is not correct because it is the profit of the balloon pack **C –** this is not correct because it is the profit x cost of the balloon pack	**(1)**

Question Number	Which **one** of the following would a customer in Malaysia pay in MYR for 4 balloon packs? **Answer**	Mark
1 (a) (vi)	**AO2 - 1 mark** **The only correct answer is D – 206.18 MYR** **A –** this is not correct because it is the price of one balloon pack **B –** this is not correct because it is the price of four balloon packs in Singapore Dollars divided by 3.05 **C –** this is not correct because it is the price of four balloon packs	**(1)**

Question Number	Define the term **primary sector.** **Answer**	Mark
1 (b)	**AO1 - 1 mark** Award 1 mark for a correct definition of primary sector. • The extraction of raw materials from the earth **(1)**.	**(1)**

Question Number	Define the term **diseconomies of scale.** **Answer**	Mark
1 (c)	**AO1 - 1 mark** Award 1 mark for a correct definition of diseconomies of scale. • When the average unit cost increases due to the growth of a business **(1).**	**(1)**

Question Number	State **one** factor *TBTS* should consider when selecting its manufacturers. **Answer**	Mark
1 (d)	**A02 - 1 mark** Award 1 mark for a factor *TBTS* should consider when selecting its manufacturers in the context of *TBTS*. • *TBTS* should select manufacturers that produce toys in an environmentally friendly way **(1)**. **NB** Do not accept a factor that is not in the context of *TBTS* **Accept any other appropriate response.**	**(1)**

Question Number	Calculate the total costs for *TBTS.* **Answer**	**Additional guidance**	**Mark**
1 (e)	Calculate the total costs for *TBTS.* **A02 - 2 marks** 555.31 + (0.93 x 160) **(1)** = 704.11 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Explain **one** advantage of being a sole trader. **Answer**	**Mark**
1 (f)	**A01 - 3 marks** Award 1 mark for identification of an advantage of being a sole trader, plus 2 further marks for explaining the advantage, for a maximum of 3 marks. • Sole traders have full control of their business **(1)** this means they can run the business how they want **(1)** without having to consult with anyone when making decisions **(1)** **NB** Answers that list three advantages with no explanation will get 1 mark only. **Accept any other appropriate response.**	**(3)**

Question Number	Analyse the likely impact of external factors on business decisions made by *TBTS*. **Indicative content**	Mark
1 (g)	**AO2 = 3 marks AO3 = 3 marks** **AO2** • Social factors can help *TBTS* as changes in society shows customers might be demanding more environmentally friendly toys • Technological advances could increase the cost of buying or the price of a range of toys **AO3** • This will make TBTS more competitive and bring more customers into the toy shops as they are acting in a responsible way for the environment whilst selling high quality goods • If the technology in toys increases rapidly then TBTS could be left with unwanted stock as customers buy the newer toys	**(6)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

1 (a) (i)	**AO1 - 1 mark** **C** Cash flow A – a mortgage is a loan B – break-even does not show money in and out of a business – it is the point at which total costs and revenue are the same D – Profit and loss – profit is money left after sales and loss is when there is less money made than it cost	**(1)**

Question Number	Which **one** of the following could a person complete when applying for a job? **Answer**	**Mark**
1 (a)(ii)	**AO1 - 1 mark** **A** Application form B – Shortlisting is the process of deciding which applicants to interview C – Job description gives of the job for which applicants can apply D Person specification gives details of the type of person required for the job	**(1)**

Question Number	Which **one** of the following is the correct statement? **Answer**	**Mark**
1 (a) (iii)	**AO2 - 1 mark** **C** Loss of 550 000 A – Total costs has incorrectly been calculated using revenue + variable costs + fixed costs B – Cash inflow has incorrectly been calculated by doing variable costs minus fixed costs D – Profit is incorrect as this calculates revenue minus variable costs	**(1)**

Question Number	Which **one** of the following is a benefit of being a franchisee? **Answer**	**Mark**
1 (a)(iv)	**AO1 - 1 mark** **B** Selling an established brand A – You cannot choose your own suppliers as a franchise C – You would still have to pay interest on any bank loans whether a franchisee or not D – You do not have complete control of the business if you are a franchisee the franchisor does	**(1)**

Question Number	Which **one** of the following is the percentage increase from 2019 to 2020? **Answer**	**Mark**
1 (a) (v)	**AO2 - 1 mark** **D** 6% A – is 2.31 ÷ 38.5 = 0.06% B – is 40.81 ÷ 38.5 = 1.06% C – is 40.81 – 38.5 = 2.31%	**(1)**

Question Number	Which **one** of the following functional areas could help employees who had a problem with their wage? **Answer**	**Mark**
1 (a)(vi)	**AO1 - 1 mark** **B** Finance A – Production is making goods C – Marketing is about identifying, anticipating and satisfying customer requirements profitably D – Sales is selling the goods to customers	**(1)**

Question Number	Define the term **break-even**. **Answer**	Mark
1 (b)	**AO1 - 1 mark** Award 1 mark for a correct definition of **break-even**. • When costs and revenue are the same **(1)** • When total costs are the same as total sales **(1)**	**(1)**

Question Number	Define the term **public corporation**. **Answer**	Mark
1 (c)	**AO1 - 1 mark** Award 1 mark for a correct definition of **public corporation** • Owned by the state/central government **(1)**	**(1)**

Question Number	State **one** benefit for *LEGO* of having a short span of control. **Answer**	Mark
1 (d)	**A02 - 1 mark** Award 1 mark for a valid benefit for having a short span of control in the context of the business. • By reducing the levels communication between the managers of the 15 factories and the Danish HQ could lead to fewer mistakes **(1)** • Allows all 18,000 world-wide employees to make suggestions about the new products **(1)** **NB** Do not accept a benefit that is not in the context of LEGO. **Accept any other appropriate response**	**(1)**

Question Number	Calculate, to two decimal places, the cost of making the pineapple pencil holders. **Answer**	**Additional guidance**	**Mark**
1 (e)	**A02 - 2 marks** 148 ÷ 115 = 1.287 **(1)** 1.287 × 100 = 128.70 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Explain **one** disadvantage of using questionnaires as a method of market research. **Answer**	**Mark**
1 (f)	**A01 - 3 marks** Award 1 mark for identification of a disadvantage of using a questionnaire, plus 2 further marks for explaining the reason, for a maximum of 3 marks. • If the questionnaire is too long **(1)** people may be reluctant to complete them **(1)** and may not give true answers **(1)** • If there are too many questions then people may not focus properly **(1)** and this could result in a low rate of return **(1)** therefore not giving the information required **(1)** NB No marks are awarded for a definition. Answers that list three disadvantages with no explanation will get a 1 mark only. **Accept any other appropriate response.**	**(3)**

Question Number	Analyse the benefits for *LEGO* of being a multinational business. **Indicative content**	Mark
1 (g)	**AO2 = 3 marks AO3 = 3 marks** **AO2** • *LEGO* can sell its Harry Potter toys around the world • The arts and craft materials can be produced in the most cost-effective location for *LEGO* **AO3** • This means that *LEGO*'s global market will increase compared to rivals • Thus reducing the average total cost and leading to a larger profit margin	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3).
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3).
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3).

Question Number	Define the term **fringe benefits.** **Answer**	Mark
3 (a)	**A01 - 1 mark** Award 1 mark for a correct definition of **fringe benefits**. • Additional benefits over and above the normal wage or salary **(1)**	**(1)**

Question Number	Outline **one** way *Irsi Chocolatier* could keep customer loyalty. **Answer**	Mark
3 (b)	**A02 - 2 marks** Award 1 mark for identifying a way *Irsi Chocolatier* could keep customer loyalty, plus 1 further mark for linking it to the context of the business. • *Irsi Chocolatier* could promote their chocolates **(1)** by introducing a new range of flavours **(1)** **NB** Do not accept a way that is not in the context of *Irsi Chocolatier*. **Accept any other appropriate response.**	**(2)**

Question Number	Calculate, to two decimal places, the current ratio. **Answer**	**Additional guidance**	Mark
3 (c)	**A02 - 2 marks** 26 000/14 852 **(1)** = 1.75 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Analyse the limitations for *Irsi Chocolatier* of using break-even charts to decide whether it should sell the new product. **Indicative content**	Mark
3 (d)	**AO2 = 3 marks AO3 = 3 marks** **<u>AO2</u>** • Break-even charts make the assumption that all of the new chocolate lollipops will be sold • The chart shows the costs for the chocolate lollipops as a straight line not taking into account other costs that may occur along the way **<u>AO3</u>** • This could lead to false data as it does not take into account any wasted or damaged stock not sold • This could lead to overspending if *Irsi Chocolatier* have not taken into account other costs or if customers do not like the new product	**(6)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	*Irsi Chocolatier* is considering two options: **Option 1:** train the new employee on-the-job **Option 2:** train the new employee off-the-job. Justify which **one** of these two options *Irsi Chocolatier* should choose. **Indicative content**	Mark
3 (e)	**AO2 = 3 marks AO3 = 3 marks** **AO4 = 3 marks** **<u>AO2</u>** • **Option 1** – Offering on-the-job training allows the new employee to see current chocolate making techniques • **Option 2** – Offering off-the-job training allows the new employee to learn new techniques of producing chocolates from lecturers at a college **<u>AO3</u>** • **Option 1** – This may increase the levels of production as the employee will be producing whilst training allowing *Irsi Chocolatier* to meet the increased demand • **Option 2** – Therefore the new employee could bring new ideas into the business making it more efficient producing more in less time **<u>AO4</u>** • **Option 1** – However, as *Irsi Chocolatier* only has 3 employees there may not be someone who can dedicate the time to train the new employee to the standard required • **Option 2** – However, this can be costly as the employee will have to attend an external course rather than learn on the job	**(9)**

Level	Mark	Descriptor

	0	No Rewardable material.
Level 1	1-3	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	4-6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	7 - 9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

Question Number	Calculate, to two decimal places, the operating profit margin. **Answer**	**Additional guidance**	**Mark**

1 (a) (i)	**AO1 - 1 mark** **The only correct answer is C** **A** is not the correct answer as sales is shown on the statement of comprehensive income **B** is not the correct answer as cost of sales is shown on the statement of comprehensive income **D** is not the correct answer as gross profit is shown on the statement of comprehensive income	**(1)**

Question Number	Which **one** of the following is an element of the marketing mix? **Answer**	**Mark**
1 (a) (ii)	**AO1 - 1 mark** **The only correct answer is A** **B** is not the correct answer as a partnership is when 2 or more people own a business together **C** is not the correct answer as production is the manufacturing of goods **D** is not the correct answer as profit is the difference between total revenue and total costs	**(1)**

Question Number	**(iii)** Which **one** of the following is the total monthly cost? **Answer**	**Mark**
1 (a) (iii)	**AO1 - 1 mark** **The only correct answer is D** **A** is not the correct answer as it is the sum of total fixed costs and variable costs for one unit **B** is not the correct answer as it is the sum of fixed costs plus output quantity **C** is not the correct answer as it is the sum of fixed costs multiplied by the variable cost	**(1)**

Question Number	Which **one** of the following job roles is most likely associated with capital-intensive production? **Answer**	Mark
1 (a) (iv)	**AO1 - 1 mark** **The only correct answer is B** **A** is not the correct answer as the role of a hairdresser is labour intensive **C** is not the correct answer as the role of a fruit picker is labour intensive **D** is not the correct answer as the role of a chef is labour intensive	**(1)**

Question Number	Which **one** of the following is an internal source of finance? **Answer**	Mark
1 (a) (v)	**AO1 - 1 mark** **The only correct answer is C** **A** is not the correct answer as an overdraft is an external source of finance **B** is not the correct answer as venture capital is an external source of finance **D** is not the correct answer as crowdfunding is an external source of finance	**(1)**

Question Number	Which **one** of the following is the weekly break-even point? **Answer**	Mark
1 (a) (vi)	**AO2 - 1 mark** **The only correct answer is C** **A** is not the correct answer as this represents the wrong fixed costs of 44 000 divided by the contribution of 5 500 **B** is not the correct answer as this represents the fixed costs of 440 000 divided by the selling price of 8 000 **D** is not the correct answer as this represents the fixed costs of 440 000 divided by the variable cost per unit of 2 500	**(1)**

Question Number	Define the term **profit.** **Answer**	Mark
1 (b)	**AO1 - 1 mark** Award 1 mark for a correct definition of **profit** • The amount remaining when total costs are deducted from total revenue **(1)**	**(1)**

Question Number	Define the term **span of control.** **Answer**	Mark
1 (c)	**AO1 - 1 mark** Award 1 mark for a correct definition of **span of control**. • The number of workers controlled by one manager **(1)**	**(1)**

Question Number	State **one** likely variable cost for *AWG.* **Answer**	Mark
1 (d)	**A02 - 1 mark** Award 1 mark for one variable cost for *AWG* • *AWG* will have to pay for the cost of wool used to make the jumpers **(1)** **NB** Do not accept a variable cost that is not in the context of *AWG*. **Accept any appropriate response.**	**(1)**

Question Number	Calculate, to **two** decimal places, the new price of the jumper in the promotional sale. **Answer**	**Additional guidance**	**Mark**
1 (e)	**A02 - 2 marks** 329 x 0.25 = 82.25 **(1)** 329 - 82.25 = 246.75 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Explain **one** benefit to a business that operates as a sole trader. **Answer**	**Mark**
1 (f)	**A01 - 3 marks** Award 1 mark for identification of a benefit to a business that operates as a sole trader, plus 2 further marks for explaining the benefit, for a maximum of 3 marks. • Independence of the owner **(1)** which means they can make decision without reference to anyone else **(1)** eliminating any conflicts or disagreements within the business **(1)** **NB** Answers that list three benefits with no explanation will get 1 mark only. **Accept any appropriate response.**	**(3)**

Question Number	Analyse the advantages to *AWG* of using e-commerce to sell its products. **Indicative content**	Mark
1 (g)	**AO2 = 3 marks AO3 = 3 marks** **<u>AO2</u>** • *AWG* sells its shirts on-line to customers based in other countries • *AWG* uses a website to advertise its baby clothes to attract new customers **<u>AO3</u>** • This helps create recognition of the business internationally allowing *AWG* to increase its sales revenue. • This helps to reduce the costs for *AWG* as selling online is less expensive than opening stores in other countries.	**(6)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	Answer	Mark
3 (a)	**AO1 - 1 mark** Award 1 mark for a correct definition of current liabilities. The amounts owed by a business that must be paid within twelve months **(1).**	**(1)**

Question Number	Answer	Mark
3 (b)	**AO2 - 2 marks** Award 1 mark for identifying a reason why the revenue is higher for the Bakery shops rather than *L.bistro* and *L.café*, plus 1 further mark for linking it to the context of the question. Bakeries are used on a daily basis buying the same kind of products i.e. bread and cakes **(1)** whereas *L.bistro* and *L.café* are more for special occasions **(1).** Do not accept a reason that is not in the context of *Lavender*. **Accept any other appropriate response.**	**(2)**

Question Number	Answer	Additional guidance	Mark
3 (c)	**AO2 - 2 marks** 24/75 x 100 **(1)** = 32% **(1).**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Indicative content	Mark
3 (d)	**AO2 = 3 marks AO3 = 3 marks** **AO2** • *Lavender* are able to see if they have enough money to expand into other parts of Malaysia. • *Lavender* can use these figures to show investors how successful they are as a business and are capable of expanding. **AO3** • As *Lavender* want to expand they need to take into account other factors such as overheads and outgoings as these may be higher so the net profit figure may be low and they will not have enough to expand. • *Lavender* also need to consider other factors such as the location of competition in the areas they are looking to expand in and if they can survive as a new business entering the area or comparing the figures to last year's figures to see if they have performed better or worse.	**(6)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	Indicative content	Mark
3 (e)	**AO2 = 3 marks AO3 = 3 marks AO4 = 3 marks** **AO2** Option 1 – Primary market research, such as questionnaires, will allow *Lavender* to approach existing and potential customers face to face to ask their opinions of its food and menu. Option 2 – Secondary market research, such as the internet, will allow *Lavender* to gain wider sources of information about the area it wishes to expand into and see if there are other similar restaurants. **AO3** Option 1 – Therefore, giving *Lavender* detailed feedback specific to its business about its food products and from people who are within the area it is looking to expand into. Option 2 – Therefore, it is less time consuming for *Lavender* because other people have put the information together and they can find out other information such as local bakeries as opposed to just what the customers' needs and wants are such as local competition and suppliers in the area. **AO4** Option 1 – However, they may also find that not all of the feedback gained is relevant to the menu they have or some people may not want to fill in the questionnaire so they do not gather all of the information they require. Option 2 – However, when using secondary market research methods you could spend a lot of time looking at other factors and not gaining the information you actually need about food products. Also some of the information might not be relevant to the business activity of *Lavender* or could be outdated.	**(9)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-3	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	4-6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	7 - 9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

Question Number	Answer	Mark
3 (a)	**A01 - 1 mark** Award 1 mark for a correct definition of revenue. • The income over a period of time from the sales of goods **(1)**. • Price x sales **(1)**	**(1)**

Question Number	Answer	Mark
3 (b)	**A02 - 2 marks** Award 1 mark for identifying a reason why *Tata Motor Company* would want to use an overdraft, plus 1 further mark for linking it to the context of the question. • *Tata Motor Company* would need an overdraft to overcome a shortfall in funds **(1)** which means if it needs funds to purchase additional tyres the money will be available **(1)**. **NB** Do not accept a reason that is not in the context of *Tata Motor Company.* **Accept any other appropriate response.**	**(2)**

Question Number	Answer	Additional guidance	Mark
3 (c)	**A02 - 2 marks** 42 839 – 18 441 = 24 398 **(1)** 24 398 ÷ 18 441 x 100 = 132.30% **(1)**	Award 1 mark for correctly substituting numbers into the formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Indicative content	Mark
3 (d)	**AO2 = 3 marks AO3 = 3 marks** **<u>AO2</u>** • *Tata Motor Company's* revenue has increased year on year. • *Tata Motor Company* can use these figures to compare them with other vehicle manufacturers. **<u>AO3</u>** • *Tata Motor Company* could invest in designing and manufacturing new cars. • *Tata Motor Company* could adjust its prices to increase its yearly revenue.	**(6)**

	Mark	Descriptor
	0	No rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	Indicative content	Mark
3 (e)	**AO2 = 3 marks AO3 = 3 marks AO4 = 3 marks** **AO2** • **Option 1** – you are able to obtain the information directly from the people about the cars they want and the price they are prepared to pay. • **Option 2** – secondary research is much easier to collate from other car manufacturing websites and reports. **AO3** • **Option 1** – this helps *Tata Motor Company* gather information that is relevant and can help in designing and pricing the next cars to be manufactured. • **Option 2** – and will not take *Tata Motor Company* as long to gather the information it requires. **AO4** • **Option 1** – although gaining this information is important for *Tata Motor Company* it is very costly in time and man power. • **Option 2** – the data it collects may not provide the information it requires.	**(9)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-3	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	4-6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	7 - 9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

Question Number	Answer	Mark
1 (a) (i)	**AO1 = 1 mark** **The only correct answer is B - Shares are traded on the stock exchange** A is not correct because a plc is not controlled by the government C is not correct because a plc can have more than 50 shareholders D is not correct because there is no restriction in transfer of shares	**(1)**

Question Number	Answer	Mark
1 (a) (ii)	**AO1 = 1 mark** **The only correct answer is C – Finance** A is not correct because Human resources looks after people B is not correct because Marketing identifies customers' needs D is not correct because Production is making goods	**(1)**

Question Number	Answer	Mark
1 (a) (iii)	**AO2 = 1 mark** **The only correct answer is A - 12.5%** B is not correct because Total equals £1 200 000 and 20.8% - Business 4 C is not correct because 25% = £300 000 – Business 1 D is not correct because 29.2% = £350 000 – Business 5	**(1)**

Question Number	Answer	Mark
1 (a)(iv)	**AO1 = 1 mark** **The only correct answer is B - More funds taken out than are in the account** A is not correct because borrowing regular amounts is a loan C is not correct because money lent by many people is 'just giving' D is not correct because a loan for repayment is a loan	**(1)**

Question Number	Answer	Mark
1 (a) (v)	**AO2 = 1 mark** **The only correct answer is D - 2.53%** A is not correct because calculation worked out on Cash assets not Total assets B is not correct because percentage correct but not minus calculation wrong way round C is not correct because calculation worked out using 2016-2017 figure not 2015-2016 figure	**(1)**

Question Number	Answer	Mark
1 (a)(vi)	**AO1 = 1 mark** **The only correct answer is C - Job description** **A** is not correct because a Business plan is not in recruitment **B** is not correct because Induction training is after recruitment **D** is not correct because Job enrichment is after recruitment	**(1)**

Question Number	Answer	Mark
1 (b)	**AO1 = 1 mark** Award 1 mark for a correct definition of social enterprise. • A business whose profits are used to benefit it and the community (1).	**(1)**

Question Number	Answer	Mark
1 (c)	**AO1 = 1 mark** Award 1 mark for a correct definition of globalisation. • Companies operating internationally across the world (1).	**(1)**

Question Number	Answer	Mark
1 (d)	**A02 = 1 mark** Award 1 mark for a valid reason why *Emirates* uses competition pricing in the context of the business. • To attract more people to fly with *Emirates* and not its competitors (1). • As *Emirates* flies to 180 destinations consumers do not find it necessary to choose other airlines (1). **Accept any other appropriate response.**	**(1)**

Question Number	Answer	Additional guidance	Mark
1 (e)	**A02 = 2 marks** 26 – 30 (1) = –4 (1)	Award 1 mark for substituting numbers into formula correctly. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Answer	Mark
1 (f)	**A01 = 3 marks** Award 1 mark for identification of a factor in Herzberg's motivational theory, plus 2 further marks for explaining the reason, for a maximum of 3 marks. • One factor is called a hygiene factor (1) workers can become demotivated (1) if hygiene factors such as pay are not met (1). • The other factor is motivator (1) employees gain achievement in their job (1) which allows then to grow and develop (1). Answers that list two factors with no explanation will get a maximum of 1 mark. **Accept any other appropriate response.**	**(3)**

Question Number	Indicative content	Mark
1 (g)	**AO2 = 3 marks AO3 = 3 marks** **AO2** • Comparison of finances from different routes can be made from year to year. *Emirates* can make decisions on whether routes continue. **AO3** • Decisions can then be made whether to reduce costs or change certain strategies. • The figures can also inform *Emirates* what action it might need to take in coming years.	**(6)**

Level	**Mark**	**Descriptor**
	0	No rewardable material.
Level 1	1–2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3–4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5–6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	Answer	Mark
1 (a) (i)	**AO1 = 1 mark** **The only correct answer is D - Manufacture of finished goods** A is not correct because production does not provide services B is not correct because production is not the exchange of goods C is not correct because extraction of raw materials is not production	**(1)**

Question Number	Answer	Mark
1 (a)(ii)	**AO1 = 1 mark** **The only correct answer is B - The person is given support from an established business** A is not correct because a franchise cannot buy supplies from anyone C is not correct because a franchise is not guaranteed a set wage D is not correct because the profits are not shared in a franchise	**(1)**

Question Number	Answer	Mark
1 (a) (iii)	**AO2 = 1 mark** **The only correct answer is D - 50.94%** A is not correct because 6.63% calculation incorrect B is not correct because 1 600 / 1 060 = 15.09 C is not correct because 1 600 – 1 060 = 0.52 / 1 600 = 33.75%	**(1)**

Question Number	Answer	Mark
1 (a)(iv)	**AO1 = 1 mark** **The only correct answer is A - Higher loan repayments** B is not correct because a bank increasing the interest rates does not affect labour costs C is not correct because a bank increasing interest rates would possibly reduce net cash flow D is not correct because a bank increasing interest rates would possibly reduce sales	**(1)**

Question Number	Answer	Mark
1 (a) (v)	**AO1 = 1 mark** **The only correct answer is B - It is funded by government** A is not correct because a public corporation is not owned by the directors C is not correct because a public corporation does not aim to maximise profit D is not correct because a public corporation is accountable to the public	**(1)**

Question Number	Answer	Mark
1 (a)(vi)	**AO2 = 1 mark** **The only correct answer is C - £980 000** A is not correct because - £40 000 is cash inflow minus outflow B is not correct because £40 000 is outflow minus inflow D is not correct because opening balance £1020 000 plus outflow £400000 minus inflow £360 000	**(1)**

Question Number	Answer	Mark
1 (b)	**AO1 = 1 mark** Award 1 mark for a correct definition of commission. • Payment made to an employee linked to the number of sales made (1).	**(1)**

Question Number	Answer	Mark
1 (c)	**AO1 = 1 mark** Award 1 mark for a correct definition of revenue. • Money from the sale of goods/services (1).	**(1)**

Question Number	Answer	Mark
1 (d)	**A02 = 1 mark** Award 1 mark for a valid reason for having a short span of control in the context of the business. • This allows the directors of *HRMW* to communicate with all manufacturing departments such as boxing gloves and hockey sticks (1). **Accept any other appropriate response**.	**(1)**

Question Number	Answer	Additional guidance	Mark
1 (e)	**A02 = 2 marks** 92 322 – 85 083 = 7 239 (1) 7 239/85 038 = 8.51% (1)	Award 1 mark for substituting numbers into formula correctly. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Answer	Mark
1 (f)	**A01 = 3 marks** Award 1 mark for identification of a reason for sponsoring an event, plus 2 further marks for explaining the reason, for a maximum of 3 marks. • Sponsorship is making a financial contribution to an event (1). This makes more people aware of the business's products (1). This could, in turn, increase sales of those products (1). Answers that list three reasons with no explanation will get a maximum of 1 mark. **Accept any other appropriate response**.	**(3)**

Question Number	Indicative content	Mark
1 (g)	**AO2 = 3 marks AO3 = 3 marks** **AO2** • It differentiates its football products from those of its competitors. • It helps customers to recognise its own logo that appears on all its products. **AO3** • Advertising the footballs is easier because customers are aware of the brand name and the quality of products. • Customers are more likely to buy a *HRMW* hockey stick, rather than an unbranded product, when they see the logo.	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	Answer	Additional guidance	Mark
4 (a)	**A02 = 2 marks** 64 650 – 42 450 = 22 200 (1) 22 200/54 550 = 0.41 (1)	Award 1 mark for substituting numbers into formula correctly. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Indicative content	Mark
4 (b)	**AO2 = 3 marks AO3 = 3 marks** **AO2** • Banks may need details of the financial situation of *HRMW* to assess the risk to them of granting a loan for the new sporting products. • The banks would want to look at the accounts for several years to see if there is a pattern or trend in *HRMW*'s success and if it has any large debts. **AO3** • The banks would want to see if *HRMW* has sufficient funds to pay back not only the loan but also the interest. • If *HRMW* can prove that it has traded successfully for a number of years, it might receive a lower rate of interest on any loan.	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	Indicative content	Mark
4 (c)	**AO1 = 3 marks AO2 = 3 marks** **AO3 = 3 marks AO4 = 3 marks** **AO1** • *HRMW* can judge its success by looking at changes in its revenue. • *HRMW* can also measure its success by customer satisfaction. **AO2** • Between 2020-2022 *HRMW*'s estimated revenue is set to increase by 8.51%. • If customers are satisfied with the goods, they will return to *HRMW*. **AO3** • If *HRMW* compares its revenues with those of its competitors, it gives it an indication of its relative success. • If customers are happy with the sports products, they will spread the word to family and friends, which could increase demand for these products leading to increased sales. **AO4** • However, revenue is only a part of the success of the business. There are other factors to be considered such as shareholders receiving dividends on their investment and this may conflict with *HRMW*'s plans for expansion. • However, customer satisfaction may require changes in prices, and this could impact on revenue and profits, leading to a less successful business.	**(12)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-4	• Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used. (AO1) • Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	5 - 8	• Demonstrates mostly accurate knowledge and understanding of business concepts and issues including appropriate use of business terminology in places. (AO1) • Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)

Level 3	9 - 12	• Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology. (AO1) • Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

Question Number	Answer	Mark
1 (a) (i)	**AO1 - 1 mark** **D** Human Resources	**(1)**

Question Number	Answer	Mark
1 (a) (ii)	**AO1 - 1 mark** **B** Selling assets	**(1)**

Question Number	Answer	Mark
1 (a) (iii)	**AO1 - 1 mark** **C** Cost of sales	**(1)**

Question Number	Answer	Mark
1 (a) (iv)	**AO1 - 1 mark** **A** Taxation	**(1)**

Question Number	Answer	Mark
1 (a) (v)	**AO2 - 1 mark** **C** 250%	**(1)**

Question Number	Answer	Mark
1 (a) (vi)	**AO2 - 1 mark** **D** S$42.08	**(1)**

Question Number	Answer	Mark
1 (b)	**AO1 - 1 mark** Award 1 mark for a correct definition of diseconomies of scale. • An increase in average cost per units **(1)**.	**(1)**

Question Number	Answer	Mark
1 (c)	**AO1 - 1 mark** Award 1 mark for a correct definition of job production. • A method of production that involves completing one unit of output at a time **(1).**	**(1)**

Question Number	Answer	Mark
1 (d)	**A02 - 1 mark** Award 1 mark for a financial method of motivation *Artify Studio* could use to motivate its employee in the context of the business. • Employees could be given commission for any art materials they sell **(1).** **Accept any other appropriate response.**	**(1)**

Question Number	Answer	Additional guidance	Mark
1 (e)	**A02 - 2 marks** 285 x 0.12 = 34.20 **(1)** 285 – 34.20 = 250.80 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Answer	Mark
1 (f)	**A01 - 3 marks** Award 1 mark for identification of a measure of success, plus 2 further marks for explaining this measure, for a maximum of 3 marks. • Market share can be used to measure the success of a business **(1).** Changes in market share will show how well or not the business is doing **(1)** and help them to make decisions for the business **(1).** **NB** Answers that list three measures of success with no explanation will get a maximum of 1 mark. **Accept any other appropriate response.**	**(3)**

Question Number	Indicative content	Mark
1 (g)	**AO2 = 3 marks AO3 = 3 marks** **AO2** • Lower interest rates could lead to an increase in the demand for the popular Liberty Art Jam sessions. • The cost of borrowing comes down so *Artify Studio* could pay less on any loans they take out. **AO3** • *Artify Studio* may need to put on additional sessions to cater for the increase in demand, this will lead to an increase in costs but as sales increase this can cover this cost. • This will enable *Artify Studio* to have more funds available to increase advertising and bring in more customers.	**(6)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

3 (a)	**A01 - 1 mark** Award 1 mark for a correct definition of **delegation** • The passing of work from a superior to a subordinate **(1)**	**(1)**

Question Number	Outline **one** benefit to *LEGO* of being a privately-owned family business. **Answer**	**Mark**
3 (b)	**A02 - 2 marks** Award 1 mark for identifying a benefit for *LEGO of* being a family owned business, plus 1 further mark for linking it to the context of the question. • This means that since 1932 the Kritiansen family have continuously run *LEGO as a* privately owned business **(1)** which gives *LEGO* stability and continuity **(1)** **NB** Do not accept a benefit that is not in the context of *LEGO.* **Accept any other appropriate response.**	**(2)**

Question Number	Calculate the employee's new salary. **Answer**	**Additional guidance**	**Mark**
3 (c)	**A02 - 2 marks** 150 000 x 0.045 = 6 750 **(1)** 150 000 + 6 750 = 156 750 **(1)** **OR** 150 000 x 1.045 **(1)** = 156 750 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Analyse how *LEGO* could use a Statement of Comprehensive Income when considering the development of new toys. **Indicative content**	Mark
3 (d)	**AO2 = 3 marks AO3 = 3 marks** **AO2** • Statement of Comprehensive Income gathers data from all 15 worldwide *LEGO* factories • *LEGO* can use the information to see its financial position when introducing the new Star Wars Princess Leia toy and whether it has sufficient funds **AO3** • This will enable *LEGO* to see if it is making a sufficient profit margin compared to other toy makers such as Disney allowing it to alter its pricing strategy • Introducing a new toy is expensive as there are costs of design and development as well as producing the toy before it goes on sale to the public	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3).
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3).
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3).

Question Number	**Option 1:** on-the-job training **Option 2:** off-the-job training. **Indicative content**	**Mark**
3 (e)	**AO2 = 3 marks AO3 = 3 marks** **AO4 = 3 marks** **AO2** • **Option 1** – The cost of training is reduced as employees remain on the premises producing the Princess Leia toy whilst being trained • **Option 2** – When employees are trained by experts off site, they gain new skills and see new production methods not seen in the 15 *LEGO* factories **AO3** • **Option 1** – Employees gain in confidence as they are trained by staff they know whilst at *LEGO* • **Option 2** – Employees can gain new skills from experts, resulting in fewer errors thus improving the number of toys produced in each factory **AO4** • **Option 1** – However, this can be time consuming and prevents the skilled employees from carrying out their job efficiently • **Option 2** – However, the new employees may not gain the specific skills and knowledge which are needed for designing the new Star Wars toys for *LEGO*	**(9)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-3	• Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3). • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made (AO4).
Level 2	4-6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3). • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made (AO4).
Level 3	7 - 9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3). • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made (AO4).

Question Number	Calculate, to two decimal places, the current ratio in 2019. **Answer**	**Additional guidance**	**Mark**

4 (a)	**A02 - 2 marks** 45 024/62 400 x 100 **(1)** = 72.15 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Analyse factors that *Aude Rose* might consider when measuring the success of its business. **Indicative content**	**Mark**
4 (b)	**AO2 – 3 marks AO3 – 3 marks** **AO2** • *Aude Rose* have grown by opening a larger shop in the centre of Paris • By moving to the centre of Paris it has made possible an increase in the number of people buying its flowers **AO3** • By moving to a larger shop in a better location *Aude Rose* has shown success by being able to pay the higher rent • This shows success of the business as there is a demand for its flowers and they are willing to increase the risk to the business by investing in a wider range of flowers	**(6)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	Evaluate the usefulness of financial documents to help *Aude Rose* when deciding to open a second shop. You should use the information provided as well as your own knowledge of business. **Indicative content**	Mark
4 (c)	**AO1 = 3 marks AO2 = 3 marks** **AO3 = 3 marks AO4 = 3 marks** **AO1** • The statement of comprehensive income can show the profit or loss the business has made by the end of its financial year • The figures can show how capable the business is of expanding **AO2** • This can help the business to see how profitable the flower shop currently is • This could draw in potential investors who are interested in the success of the flower shop **AO3** • This document will be useful to show *Aude Rose* how much profit it has to be able to put towards the expansion or inform a bank of how much it needs to lend • The financial documents will outline the current position of the business and could include a cash flow forecast projecting net cash flow in the future **AO4** • However, there are other factors that need to be considered such as figures from previous years as well as the affordability to run the new shop • However, other factors need to be taken into consideration such as the location of the competition which could make it difficult for the second flower shop to survive as a new business to that particular area.	**(12)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-4	• Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used. (AO1) • Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	5 - 8	• Demonstrates mostly accurate knowledge and understanding of business concepts and issues including appropriate use of business terminology in places. (AO1) • Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)

Level 3	9 - 12	• Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology. (AO1) • Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

4 (a)	**AO2 - 2 marks** 4.3 – 3.7 = 0.6 **(1)** 0.6 ÷ 4.3 x 100 = 13.95 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Analyse why *IKEA* uses statements of comprehensive income to assess its business performance. **Indicative content**	**Mark**
4 (b)	**AO2 – 3 marks AO3 – 3 marks** **<u>AO2</u>** • *IKEA* can study the statement of comprehensive income to see if the profit for the year has increased or has remained stable since the introduction of new beds to the range • *IKEA* can review the expenses, such as the employee bonus, made during the year to see if it can continue **<u>AO3</u>** • *IKEA* can then decide to either increase the range or to discontinue dependant on figures • *IKEA* can evaluate if introducing the bonus for its employees has increased production sufficiently to cover the costs	**(6)**

Level	**Mark**	**Descriptor**
	0	No rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	Evaluate the importance to *IKEA* of using demographic segmentation when targeting its customers. You should use the information provided as well as your own knowledge of business. **Indicative content**	Mark
4 (c)	**AO1 = 3 marks AO2 = 3 marks** **AO3 = 3 marks AO4 = 3 marks** **AO1** • Using demographic segmentation *IKEA* can target certain groups of people such as families with young children • *IKEA* will take into consideration the income of its customers, as this varies from country to country **AO2** • Younger families are going to need table and chairs that are reasonably priced and suitable for young children • Some customers with a larger income may want expensive looking tables and ornaments to display their wealth **AO3** • Whereas the older generation may need reliable and comfortable chairs to sit on • *IKEA* will need to take this into account when deciding what items of furniture to sell in each country **AO4** • However, not all families fit into a category and therefore *IKEA* needs to provide for all different demographics no matter where they are located • However, there is no guarantee that *IKEA*'s customers will buy what is expected of them	**(12)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-4	• Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used. (AO1) • Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	5 - 8	• Demonstrates mostly accurate knowledge and understanding of business concepts and issues including appropriate use of business terminology in places. (AO1) • Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	9 - 12	• Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology. (AO1) • Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

1 (a) (i)	**AO1 - 1 mark** The only correct answer is **D** Focus groups **A** is incorrect as published government statistics is secondary market research **B** is incorrect as a magazine article is secondary market research **C** is incorrect as internet research is secondary market research	**(1)**

Question Number	Which **one** of the following is an example of external communication? **Answer**	**Mark**
1 (a) (ii)	**AO1 - 1 mark** The only correct answer is **B** Sending a customer details of a special offer **A** Is incorrect as a presentation by the chairperson to employees is an internal communication **C** Is incorrect as a departmental meeting is an internal communication **D** Is incorrect as training sessions for new employees is an internal communication	**(1)**

Question Number	Which **one** of the following is the percentage decrease in the share price? **Answer**	**Mark**
1 (a) (iii)	**AO2 - 1 mark** The only correct answer is **C** 4.08% **A** is incorrect as 1.49 is 36.55 – 35.06 **B** is incorrect as 1.96 is 36.55 + 35.06/36.55 **D** is incorrect as 4.25 is 36.55 – 35.06 = 1.49/35.06 x 100	**(1)**

Question Number	Which **one** of the following is the price of 12 tins of baked beans with the 12.5% promotional price discount? **Answer**	**Mark**
1 (a)(iv)	**AO1 - 1 mark** The only correct answer is **A** $5.67 **B** is incorrect as $6.48 = 0.54 x 12 **C** is incorrect as $56.25 = 54 ÷ 12 x 12.5 **D** is incorrect as $81.00 = 0.54 x 12 x 12.5	**(1)**

Question Number	Which **one** of the following would be a long-term source of finance for a sole trader? **Answer**	**Mark**
1 (a) (v)	**AO2 - 1 mark** The only correct answer is **C** Personal savings **A** is incorrect as trade credit is not long term **B** is incorrect as overdraft is not long term **D** is incorrect as share capital is not available for sole traders	**(1)**

Question Number	Which **one** of the following is the break-even point? **Answer**	**Mark**
1 (a)(vi)	**AO1 - 1 mark** The only correct answer is **D** **A** is incorrect as it is the total revenue **B** is incorrect as it is the total costs **C** is incorrect as it is the fixed costs	**(1)**

Question Number	Define the term **labour intensive production.** **Answer**	Mark
1 (b)	**AO1 - 1 mark** Award 1 mark for a correct definition of **labour intensive production.** • A production method that makes more use of labour than machines/capital **(1)**	**(1)**

Question Number	Define the term **trade bloc.** **Answer**	Mark
1 (c)	**AO1 - 1 mark** Award 1 mark for a correct definition of **trade bloc.** • A group of countries that join together to protect themselves from imports from non-members **(1)**	**(1)**

Question Number	State **one** reason why *Kraft Heinz* prefers to train its employees using on-the-job training. **Answer**	Mark
1 (d)	**AO2 - 1 mark** Award 1 mark for a valid reason why *Kraft Heinz* prefers to train its employees using on-the-job training in the context of the business. • Employees will know the ingredients for tomato sauce and how it is made **(1)** • Employees are shown the production process of baked beans **(1)** **NB** Do not accept a reason that is not in the context of *Kraft Heinz* **Accept any other appropriate response.**	**(1)**

Question Number	Calculate the total pay an employee would receive once the bonus is added to their salary. You are advised to show your working. **Answer**	**Additional guidance**	**Mark**
1 (e)	**A02 - 2 marks** 15 750 x 0.14 **(1)** = 2 205 15 750 + 2 205 = 17 955 **(1)** **OR** 15 750 x 1.14 = 17 955 **(2)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Explain **one** purpose for a business of the statement of financial position. **Answer**	**Mark**
1 (f)	**A01 - 3 marks** Award 1 mark for a purpose of the statement of financial position plus 2 further marks for explaining the purpose, for a maximum of 3 marks. • By reviewing its financial position, a business can see how the business is performing **(1)** it may decide to expand further if it has the funds **(1)** by introducing new products to sell **(1)** • If a business has liabilities **(1)** it may want to find ways to reduce its expenditure **(1)** by decreasing the amount of stock it holds **(1)** **NB** No marks are awarded for a definition. Answers that list three purposes with no explanation will gain 1 mark only. **Accept any other appropriate response.**	**(3)**

Question Number	Analyse the benefits to *Kraft Heinz* of using social media to collect market research data. **Indicative content**	Mark
1 (g)	**AO2 = 3 marks AO3 = 3 marks** **<u>AO2</u>** • Social media is now widely used by many people around the world and it enables *Kraft Heinz* to collect global data quickly about a new variety of tomato sauce they have introduced • *Kraft Heinz* can set up links with a variety of people to collect their views on the changes they have made to Mac&Cheese **<u>AO3</u>** • This allows *Kraft Heinz* to gather valuable data which can be used when information on a product is needed to decide on carrying on or stopping the product • *Kraft Heinz* can analyse and evaluate quickly the views made by people and then make adjustments to products if needed	**(6)**

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Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3).
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3).

Question Number	State **one** task that the human resources would carry out at *Kraft Heinz* when recruiting an employee. **Answer**	**Mark**

1 (a) (i)	**AO1 - 1 mark** **The only correct answer is D –** Remuneration **A** – is not the correct answer as job enrichment is a non-financial method used to motivate employees **B** – is not the correct answer as job rotation is a non-financial method used to motivate employees **C** – is not the correct answer as autonomy is a non-financial method used to motivate employees	**(1)**

Question Number	Which **one** of the following is an example of secondary research? **Answer**	**Mark**
1 (a)(ii)	**AO1 - 1 mark** **The only correct answer is A –** Government reports **B** – is not the correct answer as a survey is a primary method of market research **C** – is not the correct answer as a focus group is a primary method of market research **D** – is not the correct answer as an observation is a primary method of market research	**(1)**

Question Number	Which **one** of the following would increase the break-even point? **Answer**	**Mark**
1 (a) (iii)	**AO1 - 1 mark** **The only correct answer is B** – An increase in the variable costs **A** – is not the correct answer as a decrease in fixed costs will lower the break-even point **C** – is not the correct answer as an increase in the selling price will lower the break-even point **D** – is not the correct answer as a decrease in total costs would lower the break-even point	**(1)**

Question Number	Which **one** of the following is provided by a person applying for a job? **Answer**	**Mark**
1 (a)(iv)	**AO1 - 1 mark** **The only correct answer is B –** Curriculum vitae (CV) **A** - is not the correct answer as a job description is provided to a job applicant by a business **C** – is not the correct answer as a person specification is provided to a job applicant by a business **D** – is not the correct answer as disciplinary and grievance procedures will be supplied to the successful candidate	**(1)**

Question Number	Which **one** of the following is the operating profit in 2023? **Answer**	Mark
1 (a)(v)	**AO1 - 1 mark** **The only correct answer is D –** £61 000 **A** – is not the correct answer as £29 000 is the sum of cost of sales and expenses **B** – is not the correct answer as £79 000 is sales minus cost of sales **C** – is not the correct answer as £72 000 is sales minus expenses	**(1)**

Question Number	Which **one** of the following is the percentage change in the cost of material for one robot between 2021 and 2023? **Answer**	Mark
1 (a) (vi)	**AO2 - 1 mark** **The only correct answer is C –** 15.00% **A** – is not the correct answer as 1.30% is 1200/92000 x 100 **B** – is not the correct answer as 13.04% is 12000/92000 x 100 **D** – is not the correct answer as 86.96% is 80000/92000 x100	**(1)**

Question Number	Define the term **stakeholder.** **Answer**	Mark
1 (b)	**AO1 - 1 mark** Award 1 mark for a correct definition of **stakeholder.** • Anyone with an interest in or who is affected by a business	**(1)**

Question Number	Define the term **social enterprise.** **Answer**	Mark
1 (c)	**AO1 - 1 mark** Award 1 mark for a correct definition of a **social enterprise.** • An organisation whose main objective is to be a benefit to society **(1)**	**(1)**

Question Number	State **one** non-current asset that *Saha* is likely to have. **Answer**	Mark
1 (d)	**A02 - 1 mark** Award 1 mark for a non-current asset that *Saha* may have. • *Saha* is likely to have machinery which is used to manufacture the robots used in the hospitals **(1)** • *Saha* is likely to have vehicles that are used to deliver robots to the restaurants and hotels **(1)** **NB** Do not accept a non-current asset that is not in the context of *Saha* **Accept any other appropriate response.**	**(1)**

Question Number	Calculate the total revenue from the sale of all battery packs sold by *Saha* in 2023. You are advised to show your working. **Answer**	Additional guidance	Mark
1 (e)	**A02 - 2 marks** **5400 (2)** Or 1 mark for working if correct answer not given: 5 x 90 = 450 **(1)** **OR** 5 x 12 = 60 **(1)** **OR** 450 x 12 **(1)** **OR** 60 x 90 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Explain **one** advantage to a business of having limited liability. **Answer**	Mark
1 (f)	**A01 - 3 marks** Award 1 mark for an advantage to a business of having limited liability plus 2 further marks for explaining the advantage, for a maximum of 3 marks. • As the business exists as a separate legal entity **(1)** if the business goes into debt **(1)** this means the business owners are protected from losing their personal assets **(1)** • The business may raise large amounts of finance through selling shares **(1)** as investors only risk losing the value of their shares if the business fails **(1)** therefore the added finance will help the business to expand **(1)** **NB** No marks are awarded for a definition. Answers that list three advantages to a business of having limited liability with no explanation will get a maximum of 1 mark. **Accept any other appropriate response.**	**(3)**

Question Number	Analyse **two** methods of primary research that could be of benefit to *Saha* when developing its products. **Indicative content**	Mark
1 (g)	**AO2 = 3 marks AO3 = 3 marks** **<u>AO2</u>** • *Saha* could conduct interviews with current customers who use the robots in hospitals to understand how moving supplies between departments could be improved • Focus groups could be formed which include customers from restaurants and hotels to discuss potential new features of the robots **<u>AO3</u>** Feedback from interviews will help *Saha* design robots which are better suited to the needs of its customers based in the hospitals • The discussions in the focus groups may give *Saha* ideas on how to improve the function of the robots to meet the requirements of its customers	**(6)**

Level	Mark	Descriptor
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Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3).

1 (a) (i)	**AO1 - 1 mark** **The only correct answer is B – Current liability** **A –** Current asset - this is not correct because it is something a business owns that can be converted to cash within 12 months **C** – Non-current asset - this is not correct because it is something owned by a business for longer than 12 months **D** – Non-current liability - this is not correct because it is a debt to be paid back longer than 12 months	**(1)**

Question Number	Which **one** of the following is a pricing strategy where a business sets an initial high price for a product new to the market? **Answer**	**Mark**
1 (a) (ii)	**AO1 - 1 mark** **The only correct answer is A – Skimming** **B –** Competition **-** this is not correct because it is when a business considers its competitors price before setting theirs **C –** Penetration **-** this is not correct because it is when a business charges a low price to begin with before setting its own price **D –** Cost plus - this is not correct because it is adding a percentage to the cost of making the product	**(1)**

Question Number	Which **one** of the following is a role of the human resources department? **Answer**	Mark
1 (a) (iii)	**AO1 - 1 mark** **The only correct answer is D – Recruiting employees** **A** – Reducing costs - this is not correct because it is the role of finance **B** – Designing products- this is not correct because it is the role of production **C** – Customer Service - this is not correct because it is the role of marketing	**(1)**

Question Number	Which **one** of the following is a benefit to a shareholder of having limited liability? **Answer**	Mark
1 (a) (iv)	**AO1 - 1 mark** **The only correct answer is C – Own possessions are not at risk** **A –** Choosing who buys shares - this is not correct because this is a benefit of owning a private limited company **B –** May build a better relationship with suppliers - this is not correct because it is a benefit of loyalty to a supplier **D –** Employee motivation will increase - this is not correct because it is a benefit of a good relationship with employees	**(1)**

Question Number	Which **one** of the following is the break-even level of output? **Answer**	Mark
1 (a) (v)	**AO2 - 1 mark** **The only correct answer is B - 350** **A** – 280 - this is not correct because it is the fixed costs **C** – 420 - this is not correct because it is the fixed costs multiplied by revenue **D** – 616 - this is not correct because it is the revenue added to variable cost per unit then multiplied by fixed costs	**(1)**

Question Number	Which **one** of the following statements from **Figure 2** correctly applies to the gym equipment business? **Answer**	Mark
1 (a) (vi)	**AO2 - 1 mark** **The only correct answer is C – it made a profit of €43 765** **A** – It made a loss of €88 400 - this is not correct because it is the total costs **B** – It made a loss of €61 165 - this is not correct because it is (€54 000 + €17 000) – €132 165 **D** – It made a profit of €78 165 - this is not correct because it is €132 165 - €54 000	**(1)**

Question Number	Define the term **trade bloc.** **Answer**	Mark
1 (b)	**AO1 - 1 mark** Award 1 mark for a correct definition of **trade bloc**. • A group of countries that work together to benefit from trade free of barriers **(1)**	**(1)**

Question Number	Define the term **job production.** **Answer**	Mark
1 (c)	**AO1 - 1 mark** Award 1 mark for a correct definition of **job production**. • The one-off production of a customised product to meet a customers' specific needs **(1)**	**(1)**

Question Number	State **one** reason why *Four Fitness* would pay its employees more than the minimum wage. **Answer**	Mark
1 (d)	**AO2 - 1 mark** Award 1 mark for a reason *Four Fitness* would pay its employees higher than minimum wage. • Its gym instructors are highly qualified and skilled **(1)** **NB** Do not accept a reason that is not in the context of *Four Fitness.* **Accept any other appropriate response.**	**(1)**

Question Number	Calculate the total price if five *Four Fitness* members attend the event. You are advised to show your working. **Answer**	**Additional guidance**	Mark
1 (e)	**AO2 - 2 marks** 175 – 12.25 = 162.75 **(2)** 35 x 5 = 175 **(1)** 175 x 0.07 = 12.25 **(1)**	Award full marks for correct numerical answer without working. Award 1 mark for correctly substituting numbers into formula.	**(2)**

Question Number	Explain **one** impact to a business of providing fringe benefits to employees. **Answer**	Mark
1 (f)	**AO1 - 3 marks** Award 1 mark for an impact to a business of providing fringe benefits to employees, plus 2 further marks for explaining the impact, for a maximum of 3 marks. • Lower staff turnover **(1)** which reduces recruitment costs **(1)** as they will not need to find new employees **(1)** **NB** Answers that list three impacts with no explanation will get 1 mark only. **Accept any other appropriate response.**	**(3)**

Question Number	Analyse the effectiveness of the wide span of control used by Gianni Polvani. **Indicative content**	Mark
1 (g)	**AO2 = 3 marks AO3 = 3 marks** **<u>AO2</u>** • Gianni will be able to empower his employees directly within the gym as there are no layers between him and them • 14 employees may be too many for Gianni to manage himself especially as he has two gyms to run **<u>AO3</u>** • Employees will be more motivated as decisions will be made quicker and this will encourage them to take ownership of their own work resulting in them bringing in new ideas to the gym • He may not be able to spread his time evenly between all the workers which could lead to lower productivity levels because of this reduced supervision	**(6)**

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Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	State **one** factor *Four Fitness* may consider when choosing a location for its new gym. **Answer**	**Mark**

2 (a)	**AO2 - 1 mark** Award 1 mark for a reason why *Rabanne* ensures all its employees have job enrichment opportunities. • The employees making the perfume find their job more interesting **(1)** • Job enrichment gives employees the opportunity to try different types of jobs in the production of aftershaves **(1)** **NB** Do not accept a reason that is not in the context of *Rabanne*. Accept any appropriate response.	**(1)**

Q. No.	State **one** way *Rabanne* could measure its success as a business. **Answer**	Mark
2 (b)	**AO2 - 1 mark** Award 1 mark for a valid way *Rabanne* could measure its success in the context of the business. • *Rabanne* can measure its success by the increase in sales of Invictus **(1)** • *Rabanne* can compare its market share with that of other perfume businesses to see which is the most successful **(1)** **NB** Do not accept a way that is not in the context of *Rabanne.* Accept any appropriate response.	**(1)**

Q. No.	Explain **one** reason why some businesses fail. **Answer**	Mark
2 (c)	**A01 - 3 marks** Award 1 mark for identification of a reason why some businesses fail, plus 2 further marks for explaining the reason, for a maximum of 3 marks. • Poor cashflow can lead to failure **(1)** from a lack of finance **(1)** to pay suppliers and other debtors **(1)** • Prices could be too high and therefore not competitive **(1)** which could result in a fall in demand **(1)** leading to a lack of revenue **(1)** **NB** No marks are awarded for a definition. Answers that list three reasons with no explanation will get 1 mark only. Accept any appropriate response.	**(3)**

Q. No.	Explain **one** reason why a business would use targeted advertising online to promote itself. **Answer**	Mark
2 (d)	**A01 - 3 marks** Award 1 mark for identification of one reason why a business would use targeted advertising online to promote itself, plus 2 further marks for explaining the benefits, for a maximum of 3 marks. • The business can send information to customers who have purchased from them before **(1)** and are more likely to purchase again **(1)** which can lead to improved customer loyalty **(1)** • The business could promote to a specific demographic **(1)** using different online activities **(1)** which may lead to increased brand awareness **(1)** **NB** No marks are awarded for a definition. Answers that list three reasons with no explanation will get 1 mark only. Accept any appropriate response.	**(3)**

Q. No.	Explain **one** reason why businesses use statements of comprehensive income when making decisions. **Answer**	Mark
2 (e)	**A01 - 3 marks** Award 1 mark for identification of one reason why businesses use statements of comprehensive income when making decisions, plus 2 further marks for explaining the importance, for a maximum of 3 marks. • A business can see how the business is performing **(1)** and can calculate the profit margin **(1)** along with other calculations if the performance has deteriorated **(1)** • Businesses can use it to compare itself to similar businesses **(1)** which will enable them to judge its performance against competitors **(1)** giving an indication of how well the business is doing **(1)** **NB** No marks are awarded for a definition. Answers that list three reasons with no explanation will get 1 mark only. Accept any appropriate response.	**(3)**

Q. No.	**Option 1:** communicate all information through text messaging/email **Option 2:** hold weekly meetings Justify which **one** of these two options *Rabanne* should choose. **Indicative content**	**Mark**
2 (f)	**AO2 = 3 marks, AO3 = 3 marks, AO4 = 3 marks** **AO2** • **Option 1** – Email is a method that is used by everyone and can be sent from one location to another ensuring all employees are kept up to date on the packaging of the new aftershave • **Option 2** – Holding weekly meetings allows people to meet face to face and give their opinion on the new adverts for Lady Million **AO3** • **Option 1** – This would ensure that all *Rabanne* employees would be kept up to date on production changes • **Option 2** – Discussions can take place on any improvements or amendments that need to be made **AO4** • **Option 1** – However, if there is no internet signal then sending messages and receiving them would be difficult • **Option 2** – However, meetings are very time consuming and not everyone can make the meeting because of the distance between departments	**(9)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-3	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	4-6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	7 - 9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

Q. No.	Define the term **just-in-time (JIT).** **Answer**	Mark

Question Number	Answer	Mark
1 (a) (i)	**AO1 - 1 mark** **B -** Government reports	**(1)**

Question Number	Answer	Mark
1 (a) (ii)	**AO1 - 1 mark** **C -** Increased market share	**(1)**

Question Number	Answer	Mark
1 (a) (iii)	**AO1 - 1 mark** **A -** Bank loan	**(1)**

Question Number	Answer	Mark
1 (a) (iv)	**AO1 - 1 mark** **C –** Production	**(1)**

Question Number	Answer	Mark
1 (a) (v)	**AO2 - 1 mark** **A -** 2 489.60 Ks	**(1)**

Question Number	Answer	Mark
1 (a) (vi)	**AO2 - 1 mark** **D -** The cost of importing a handbag would fall	**(1)**

Question Number	Answer	Mark
1 (b)	**AO1 - 1 mark** Award 1 mark for a correct definition of stakeholder. • Individuals or groups with an interest in the success or failure of a business **(1).**	**(1)**

Question Number	Answer	Mark
1 (c)	**AO1 - 1 mark** Award 1 mark for a correct definition of quantitative data. • Data that is measured by value and expressed/represented as numbers **(1).**	**(1)**

Question Number	Answer	Mark
1 (d)	**AO2 - 1 mark** Award 1 mark for a valid response which relates to a method of on-the-job training in the context of the business. • Shadowing a fellow shoe fitter **(1).** • Demonstrating how customers are advised between different shoe brands **(1).** **Accept any other appropriate response.**	**(1)**

Question Number	Answer	Additional guidance	Mark
1 (e)	**AO2 - 2 marks** 500 500/ 570 000 x 100 **(1)** Answer 87.81% **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Answer	Mark
1 (f)	**AO1 - 3 marks** Award 1 mark for identification of a way, plus 2 further marks for explaining how this way will affect a business for a maximum of 3 marks. • A business could negotiate deals with suppliers at a cheaper rate **(1)** this will keep costs as low as possible **(1)** meaning that the business can look to reduce the prices of their products/services to encourage more sales **(1).** Answers that list three ways with no explanation will get a maximum of 1 mark. **Accept any other appropriate response.**	**(3)**

Question Number	Indicative content	Mark
1 (g)	**AO2 = 3 marks AO3 = 3 marks** **AO2** • *Backyard Shoez* is located in three shopping malls where there are other shoe shops. • *Backyard Shoez* need to maintain a high standard at all times to encourage customers to buy its shoes and bags. **AO3** • If customer needs are not met then present customers are likely to go to other shoe shops. • *Backyard Shoez* will maintain customer loyalty with positive effects on sales and revenue.	**(6)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3).
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3).
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3).

Question Number	Answer	Additional guidance	Mark
4 (a)	**AO2 - 2 marks** 800/ 2 400 x 100 **(1)** = 33 **(1).**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Indicative content	Mark
4 (b)	**AO2 = 3 marks AO3 = 3 marks** **AO2** • *Backyard Shoez* can use the information to work out how much profit they have made from buying and selling shoes and compare it to previous years. • Profitability ratios can help *Backyard Shoez* see if there is a need to take out any short term sources of finance. **AO3** • By using profitability ratios *Backyard Shoez* can see their financial position before they are set to expand to work out whether it is the right business decision to make or not. • Profitability ratios give investors the crucial information they need to weigh up the amount that they will receive from their investment compared to the risk they are going to take.	**(6)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3).
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3).
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3).

Question Number	Indicative Content	Mark
4 (c)	**AO1 = 3 marks AO2 = 3 marks** **AO3 = 3 marks AO4 = 3 marks** **AO1** • Market research can be conducted by the business itself in the form of a questionnaire. • The business could chose to use other methods that suit their business like focus groups. **AO2** • *Backyard Shoez* could question customers in the mall on their needs and wants for shoes. • *Backyard Shoez* will be able to speak directly to customers who buy their shoes who will then feel valued. **AO3** • Therefore, using primary market research *Backyard Shoez* can find out exactly what they need and work out ways of meeting those needs. • Focus groups will give *Backyard Shoez* qualitative data which can help with the design of new shoes. **AO4** • However, it can be time consuming to find out what customers' needs are and if these are already being met by the competitors in the local area then no amount of market research will help them to target their new audience. • However, without doing secondary market research as well then *Backyard Shoez* cannot find out wider research such as information on competitors and suppliers.	**(12)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-4	• Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used (AO1). • Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3). • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made (AO4).
Level 2	5 – 8	• Demonstrates mostly accurate knowledge and understanding of business concepts and issues including appropriate use of business terminology in places (AO1). • Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3). • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made (AO4).
Level 3	9 – 12	• Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology (AO1). • Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3). • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made (AO4).

Question Number	Answer	Mark
1 (a) (i)	AO1 - 1 mark **1 (a) (i) The only correct answer is C** **A** is not correct because personal savings are an internal source of finance **B** is not correct because retained profit is an internal source of finance **D** is not correct because selling assets is an internal source of finance	**(1)**

Question Number	Answer	Mark
1 (a) (ii)	AO1 - 1 mark **1 (a) (ii) The only correct answer is B** **A** is not correct because penetration pricing is where a business sets a low price for a new product **C** is not correct because competition pricing is where a business sets a price for a product in line with its competitors **D** is not correct because promotional pricing is where a business lowers the price of a product for a short time	**(1)**

Question Number	Answer	Mark
1 (a) (iii)	AO1 - 1 mark **1 (a) (iii) The only correct answer is A** **B** is not correct because discrimination by ability is not protected by legislation **C** is not correct because social discrimination is not protected by legislation **D** is not correct because ethical discrimination is not protected by legislation	**(1)**

Question Number	Answer	Mark
1 (a) (iv)	AO1 - 1 mark **1 (a) (iv) The only correct answer is D** **A** is not correct because a curriculum vitae would be sent to the employer **B** is not correct because a letter of application would be sent to the employer **C** is not correct because a newspaper advertisement would be used to advertise the job vacancy	**(1)**

Question Number	Answer	Mark
1 (a) (v)	AO2 - 1 mark **1 (a) (v) The only correct answer is B** **A** is not correct because it is the exchange rate in euros **C** is not correct because it is the cost of 1kg of dried fruits **D** is not correct because it is the cost of 1kg of dried fruits added to the exchange rate of the euro	**(1)**

Question Number	Answer	Mark
1 (a) (vi)	AO2 - 1 mark **1 (a) (vi) The only correct answer is C** **A** is not correct because it is the cost of a jar of honey formatted as a percentage **B** is not correct because it is the selling price of a jar of honey minus the cost of a jar of honey as a percentage **D** is not correct because it is double the mark up of a jar of honey	**(1)**

Question Number	Define the term profit Answer	Mark
1 (b)	AO1 - 1 mark Award 1 mark for a correct definition of profit. • Total revenue – total costs (1).	**(1)**

Question Number	Define the term non-current liabilities Answer	Mark
1 (c)	AO1 - 1 mark Award 1 mark for a correct definition of non-current liabilities. • Debts that are payable after 12 months (1).	**(1)**

Question Number	State one reason why NOF segments its target market by income Answer	Mark
1 (d)	A02 - 1 mark Award 1 mark for a reason why NOF segments its target market by income. • NOF can sell higher priced organic products to people staying at the farm (1). Accept any other appropriate response.	**(1)**

Question Number	Answer	Additional guidance	Mark
1 (e)	A02 - 2 marks 90 – 10 = 80 (1) 80/160 x 100 = 50 (1)	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Explain one strategy a small business might use to extend the product life cycle of one of its products Answer	Mark
1 (f)	A01 - 3 marks Award 1 mark for identification of a strategy of extending a product life cycle, plus 2 further marks for explaining the impact, for a maximum of 3 marks. • Local advertising could extend the life cycle of a product (1). A small business could deliver leaflets to the local area to increase customer awareness of a product (1) leading to a potential increase in sales (1). NB Answers that list three strategies with no explanation will get a maximum of 1 mark. Accept any other appropriate response.	**(3)**

Question Number	Analyse the importance of marketing to NOF Indicative content	Mark
1 (g)	AO2 = 3 marks AO3 = 3 marks AO2 • Result from marketing would enable NOF to adapt its overnight accommodation to what the customers want. • Marketing can be used to make customers aware of its organic honey. AO3 • This may lead to increased bookings for the overnight accommodation. • Sales of organic honey may increase.	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3–4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5–6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

1 (a) (i)	**AO1 - 1 mark** **A –** It is a more up to date method of research B – is incorrect as it is very time-consuming C – is incorrect as it is more expensive D – is incorrect as it is carried out by a variety of people not just agencies	**(1)**

Question Number	Which **one** of the following is a financial objective? **Answer**	**Mark**
1 (a) (ii)	**AO1 - 1 mark** **B –** Market share A – is incorrect as personal satisfaction is not financial C – is incorrect as independence is not financial D – is incorrect as control is not financial	**(1)**

Question Number	Which **one** of the following is the total revenue for a day? **Answer**	**Mark**
1 (a) (iii)	**AO2 - 1 mark** **C** – £2 400 A – is incorrect as £600 is the fixed cost B – is incorrect as £1 800 is £600 x £3.00 D – is incorrect as £600 x £12.00	**(1)**

Question Number	Which **one** of the following would be a disadvantage for a partner in a partnership? **Answer**	Mark
1 (a) (iv)	**AO1 - 1 mark** **B –** Liability for all debts A – is incorrect as sharing the workload is a benefit C – is incorrect as access to more capital is a benefit D – is incorrect as sharing skills is a benefit	**(1)**

Question Number	What would be the brand value in 2019? **Answer**	Mark
1 (a) (v)	**AO2 - 1 mark** **C –** $8.66 billion A – is incorrect as 6.20 is 14/10 = 1.4 7.6 – 1.4 = 6.2 B – is incorrect as 7.74 is 7.6 plus .14 D – is incorrect as 10.64 is 76 x .14	**(1)**

Question Number	Which **one** of the following is a source of long-term finance? **Answer**	Mark
1 (a) (vi)	**AO1 - 1 mark** **D –** Bank loan A – is incorrect as an overdraft is short term finance B – is incorrect as sales revenue is funds made from sales C 0 is incorrect as a bank loan is not long term finance.	**(1)**

Question Number	Define the term **sole trader**. **Answer**	Mark
1 (b)	**AO1 - 1 mark** Award 1 mark for a correct definition of sole trader. • A business owned exclusively by one person **(1)**	**(1)**

Question Number	Define the term **demographics**. **Answer**	Mark
1 (c)	**AO1 - 1 mark** Award 1 mark for a correct definition of demographics. • A particular section of the population **(1)**	**(1)**

Question Number	State **one** reason why *Huawei* may use share capital as a source of finance. **Answer**	Mark
1 (d)	**A02 - 1 mark** Award 1 mark for a valid reason of using share capital in the context of the business. • *Huawei* does not have to pay the funds back it can use the money to pay the salaries of the smartphone designers **(1)** • *Huawei* can use the money raised as it wishes such as investing in new technology **(1)** **Accept any other appropriate response.**	**(1)**

Question Number	Calculate, to two decimal places, the operating profit margin for *Huawei*. **Answer**	Additional guidance	Mark

1 (e)	**A02 - 2 marks** = 73 287 ÷ 721 202 x 100 **(1)** = 10.16 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Explain **one** advantage for a business of using **sponsorship**. **Answer**	**Mark**
1 (f)	**A01 - 3 marks** Award 1 mark for identification of an advantage of a business of using sponsorship, plus 2 further marks for explaining the reason, for a maximum of 3 marks. • By sponsoring an event the business will gain publicity **(1)** the event could be local, national or global **(1)** this would mean the business would cover a wide spectrum of people **(1)** • By sponsoring an event brand awareness will be increased **(1)** this could encourage followers of the event to consider purchasing from the business **(1)** leading to increased revenue/profits **(1)** NB Answers that list three advantages with no explanation will get 1 mark only. **Accept any other appropriate response.**	**(3)**

Question Number	Analyse the benefits of *Huawei* of locating its factories near to its labour sources. **Indicative content**	Mark
1 (g)	**AO2 = 3 marks AO3 = 3 marks** **AO2** • By locating a factory in an area where there is a skilled labour force it could reduce training costs • *Huawei* may need certain skills to operate manufacturing machinery for its products e.g. smartphones **AO3** • The money saved could then be used for other purposes within *Huawei* • If those skills are available the factory may become more productive and efficient in manufacturing smartphones	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3).
Level 2	3–4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3).
Level 3	5–6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3).

4 (a)	**A02 - 2 marks** 22.80 x 17 387.60 x 0.15 = 58.14 **(1)** 387.60 – 58.14 = 329.46 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Analyse the usefulness to *TBTS* of the acid test ratio. **Indicative content**	**Mark**
4 (b)	**AO2 – 3 marks AO3 – 3 marks** **<u>AO2</u>** • *TBTS* can find it useful to use these ratios as they can see it increases from 0.75 in 2018 to 0.88 in 2020 • *TBTS* can use it to see that they may need to take out any short-term finance for new projects such as the range of new toys for 4-year-olds **<u>AO3</u>** • This can help *TBTS* see if they have enough cash to cover any short-term debts to creditors such suppliers of toys and help them to keep a good relationship with the suppliers by paying on time. • The ratios show they need to be cautious as each year the acid test ratio is below 1	**(6)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	Evaluate the importance of good internal and external communication to *TBTS*. You should use the information provided as well as your own knowledge of business. **Indicative content**	Mark
4 (c)	**AO1 = 3 marks AO2 = 3 marks** **AO3 = 3 marks AO4 = 3 marks** **AO1** • Internal communication can be between owners and employees. • External communication can be between owners and various stakeholders such as suppliers and customers. **AO2** • *TBTS* need to make sure all employees are aware of the toys it sells and the aims of the business. • *TBTS* can use various external methods to communicate with its suppliers of toys and wooden materials. **AO3** • It can create better relationships leading to lower staff turnover and making them feel more valued and part of a team. • Good communication with its suppliers could lead to improved relationship between *TBTS* and its suppliers as it keeps them up to date with its business activity. **AO4** • However, communication has to be good for all employees or some may feel left out leading to animosity between the employees. • However, if the communication is poor the relationship would not work and *TBTS* could find that it loses suppliers.	**(12)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-4	• Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used. (AO1) • Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	5 - 8	• Demonstrates mostly accurate knowledge and understanding of business concepts and issues including appropriate use of business terminology in places. (AO1) • Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	9 - 12	• Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology. (AO1) • Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

Question Number	Define the term **non-current assets.** **Answer**	Mark
3 (a)	**A01 - 1 mark** Award 1 mark for a correct definition of non-current assets. • An investment owned for longer than a year **(1)**	**(1)**

Question Number	Outline **one** disadvantage to *Can Culleretes* of increasing the amount of inventory it holds. **Answer**	Mark
3 (b)	**A02 - 2 marks** Award 1 mark for identifying a disadvantage to *Can Culleretes* of increasing the amount of inventory it holds, plus 1 further mark for linking it to the context of *Can Culleretes*. • Holding a large inventory of meat and vegetables can lead to waste if it is not used in the kitchen **(1)** the food can go off and this will increase costs **(1)** **NB** Do not accept a method that is not in the context of *Can Culleretes*. **Accept any other appropriate response.**	**(2)**

Question Number	Calculate the gross profit margin. **Answer**	**Additional guidance**	Mark
3 (c)	**A02 - 2 marks** 4 500 ÷ 19 220 x 100 **(1)** = 23.41 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Analyse the impact of customers using social media to review *Can Culleretes*. **Indicative content**	Mark
3 (d)	**AO2 = 3 marks AO3 = 3 marks** **<u>AO2</u>** • It can increase the number of reviews of its meals and services • Negative reviews of the food served could be left for the restaurant **<u>AO3</u>** • This could lead to tourists considering *Can Culleretes* over its competitors after reading the reviews when visiting the city • This could lead to tourists going elsewhere as they may then doubt the positive reviews *Can Culleretes* has received	**(6)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	*Can Culleretes* is considering two options: **Option 1:** offer the new chef with a permanent contract **Option 2:** offer the new chef a temporary contract. Justify which **one** of these two options *Can Culleretes* should choose. **Indicative content**	Mark
3 (e)	**AO2 = 3 marks AO3 = 3 marks** **AO4 = 3 marks** **<u>AO2</u>** • **Option 1** – By offering a permanent contract the chef will be more committed to the restaurant long term. • **Option 2** – By offering a temporary contract they can wait to see if the desserts are popular or not before hiring on a permanent basis. **<u>AO3</u>** • **Option 1** – This may increase the levels of motivation of the chef leading to the high-quality production of the desserts. • **Option 2** – Therefore if the new desserts are not popular they are not committed to keeping the chef. **<u>AO4</u>** • **Option 1** – However, as *Can Culleretes* is a family run business they may be cautious of having someone come into the business on a permanent basis especially if the new desserts do not meet customer expectations. • **Option 2** – However, a skilled dessert chef may not like the uncertainty of a temporary contract and may choose to work elsewhere.	**(9)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-3	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	4-6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	7 - 9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

Question Number	Calculate the total cost of a group of 12 people ordering from the fixed price menu. **Answer**	**Additional guidance**	**Mark**

1 (a) (i)	**AO1 - 1 mark** The only correct answer is **C** Survival **A** - is incorrect as challenge is a non-financial objective **B** - is incorrect as social objectives is a non-financial objective **D** - is incorrect as personal satisfaction is a non-financial objective	**(1)**

Question Number	Which **one** of the following is an advantage to a business of using venture capital? **Answer**	**Mark**
1 (a)(ii)	**AO1 - 1 mark** The only correct answer is **D** It can receive expert advice **A** - is incorrect as venture capital increases access to other sources of finance **B** - is incorrect as venture capital does not keep ownership within the business **C** - is incorrect as public relations is not affected by venture capital	**(1)**

Question Number	Which **one** of the following would be the cost to *IKEA* for 1,000 loads in Swedish Krona? **Answer**	**Mark**
1 (a) (iii)	**AO2 - 1 mark** The only correct answer is **D** 129 955.00 SEK **A** - is incorrect 1 000 ÷ 6.58 = 151.98 SEK **B** – is incorrect 19.75 x 1 000 ÷ 6.58 = 3 001.52 SEK **C** - is incorrect 19.75 x 1 000 = 19 750 SEK	**(1)**

Question Number	Which **one** of the following is the correct markup? **Answer**	Mark
1 (a)(iv)	**AO1 - 1 mark** The only correct answer is **C** 15.79**%** **A** is incorrect because 4 400 ÷ 3 800 = 1.16% **B** is incorrect because 4 400 – 3 800 = 600 ÷ 4 400 x 100 = 13.64% **D** is incorrect because 4 400 ÷ 3 800 x 100 = 115.79%	**(1)**

Question Number	Which **one** of the following is Phase 3 of the product life cycle? **Answer**	Mark
1 (a) (v)	**AO2 - 1 mark** The only correct answer is **D** Maturity **A** is incorrect because phase 4 is decline **B** is incorrect because phase 2 is growth **C** is incorrect because phase 1 is introduction	**(1)**

Question Number	Which **one** of the following are equal in a break-even graph? **Answer**	Mark
1 (a)(vi)	**AO1 - 1 mark** The only correct answer is **D** Total costs and revenue **A** is incorrect because fixed and variable costs do not indicate the revenue **B** is incorrect because fixed costs and revenue do not take into account variable costs **C** is incorrect because total costs and fixed costs do not take into account revenue	**(1)**

Question Number	Define the term **person specification.** **Answer**	Mark
1 (b)	**AO1 - 1 mark** Award 1 mark for a correct definition of **person specification.** • Details of the qualifications, experience in the person appointed **(1)**	**(1)**

Question Number	Define the term **quality control.** **Answer**	Mark
1 (c)	**AO1 - 1 mark** Award 1 mark for a correct definition of **quality control.** • A product or service that meets the standard set by the business **(1)**	**(1)**

Question Number	State **one** reason why *IKEA* provides induction training for new employees. **Answer**	Mark
1 (d)	**A02 - 1 mark** Award 1 mark for a valid reason of why *IKEA* provides induction training for new employees in the context of the business. • New employees are made familiar with the furniture they will be selling in their own *IKEA* stores **(1)** • Staff will know how to show customers how the flat packs for sale are assembled **(1)** **NB** Do not accept a reason that is not in the context of *IKEA.* **Accept any other appropriate response.**	**(1)**

Question Number	Calculate to 2 decimal places the gross profit margin for 2020. **Answer**	Additional guidance	Mark
1 (e)	**A02 - 2 marks** 11 725/37 368 x 100 **(1)** = 31.38 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Explain **one** reason why businesses want to use resources effectively in manufacturing. **Answer**	Mark
1 (f)	**A01 - 3 marks** Award 1 mark for a reason why businesses want to use resources effectively plus 2 further marks for explaining the reason, for a maximum of 3 marks. • Being effective in the use of resources reduces waste **(1)** this could decrease the amount of inventory held **(1)** thus lowering the expenses of the business **(1)** • If a business uses fewer machines to manufacture goods **(1)** this will make the business more efficient **(1)** allowing for greater productivity **(1)** **NB** No marks are awarded for a definition. Answers that list two reasons with no explanation will gain 1 mark only. **Accept any other appropriate response.**	**(3)**

Question Number	Analyse the benefits to *IKEA* of all its stores being franchises. **Indicative content**	Mark
1 (g)	**AO2 = 3 marks AO3 = 3 marks** **<u>AO2</u>** • Franchises allow *IKEA* to sell its flat pack products of tables and wardrobes throughout the world • All franchisees pay a percentage of their profit to *IKEA* for the use of its name and furniture **<u>AO3</u>** • *IKEA* benefits because it has many retail stores selling furniture, creating wealth for the business • This allows *IKEA* to gain revenue from every franchised store making it more successful	**(6)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3).
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3).
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3).

3 (a)	**A01 - 1 mark** Award 1 mark for a correct definition of **autonomy.** • Giving workers the authority to make choices and decisions about the way they work **(1)**	**(1)**

Question Number	Outline **one** reason why *M&M* might locate a new factory near to a labour force. **Answer**	**Mark**
3 (b)	**A02 - 2 marks** Award 1 mark for identifying one reason why *M&M* might locate its factories near to a labour force, plus 1 further mark for linking it to the context. • To have access to a wide pool of labour when the car plant opens **(1)** that pool to include production line workers and skilled technicians **(1)** **NB** Do not accept a reason that is not in the context of *M&M.* **Accept any other appropriate response.**	**(2)**

Question Number	Calculate to 2 decimal places the current ratio for 2020. **Answer**	**Additional guidance**	**Mark**
3 (c)	**A02 - 2 marks** 3 400/900 **(1)** = 3.78 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Analyse why *M&M* would want to compare its business with other vehicle manufacturers. **Indicative content**	**Mark**
3 (d)	**AO2 = 3 marks AO3 = 3 marks** **<u>AO2</u>** • *M&M* can compare its sales of cars with other businesses such as the Ford Motor Company • If Fiat introduce different models of tractors *M&M* may consider changing the design of their own tractors **<u>AO3</u>** • If *M&M*'s figures are not as good as Ford Motor Company, they may try to improve sales by offering discounts or other incentives to customers • There is no guarantee that if *M&M* introduces a new tractor that it will compete with Fiat's tractors	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3).
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3).
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3).

Question Number	**Option 1:** job rotation **Option 2:** bonus **Indicative content**	Mark
3 (e)	**AO2 = 3 marks AO3 = 3 marks AO4 = 3 marks** **AO2** • **Option 1** – By giving employees the opportunity to move to different jobs on or off the production line from manufacturing vehicle parts to help designing vehicle parts keeps them involved in all aspects of production • **Option 2** – A bonus payment if car manufacturing targets are met makes employees feel valued and they would want to continue working for *M&M* in the car road-testing section **AO3** • **Option 1** – Employees are more likely to remain with *M&M* than look for another job, as they are continually gaining new experiences and skills • **Option 2** – A bonus encourages employees to work harder to ensure they gain their bonus **AO4** • **Option 1** – However, employees may not be interested in job rotation as it may not increase their wages • **Option 2** – However, employees may not be interested in bonus payments if their bonus is based on everyone who works in the factory, as some employees may not work as hard as others	**(9)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-3	• Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3). • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made (AO4).
Level 2	4-6	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3). • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made (AO4).
Level 3	7 - 9	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3). • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made (AO4).

Question Number	Calculate, to 2 decimal places, the cost of the tractor in pounds sterling (GBP). **Answer**	**Additional guidance**	**Mark**

1 (a) (i)	**AO1 - 1 mark** **The only correct answer is B – Age** **A** is not the correct answer as skills are not protected by legislation **C** is not the correct answer as experience is not protected by legislation **D** is not the correct answer as ability is not protected by legislation	**(1)**

Question Number	Which **one** of the following represents a star product on the Boston matrix? **Answer**	**Mark**
1 (a) (ii)	**AO1 - 1 mark** **The only correct answer is A - High market growth, high market share** **B** is not the correct answer as it is a question mark product **C** is not the correct answer as it is a cash cow product **D** is not the correct answer as it is a dog product	**(1)**

Question Number	Which **one** of the following is the method of production where one unit of output is completed at a time? **Answer**	**Mark**
1 (a) (iii)	**AO1 - 1 mark** **The only correct answer is D - Job** **A** is not the correct answer as lean is focussed on cutting out waste **B** is not the correct answer as flow is continuous production of the same product **C** is not the correct answer as batch is the production of a batch of one unit before moving on to the next	**(1)**

Question Number	Which **one** of the following is a current asset? **Answer**	**Mark**
1 (a) (iv)	**AO1 - 1 mark** **The only correct answer is B - cash** **A** is not the correct answer as a vehicle is a non-current asset **C** is not the correct answer as a building is a non-current asset **D** is not the correct answer as a factory is a non-current asset	**(1)**

Question Number	Which **one** of the following is the total cost in euros when buying 20 dog collars from the UK? **Answer**	**Mark**
1 (a) (v)	**AO2 - 1 mark** **The only correct answer is C - €630.95** **A** is not the correct answer as €22.56 is £26.50 x €0.84 **B** is not the correct answer as €445.20 is (£26.50/€0.84) x 20 **D** is not the correct answer as €513.20 is (£26.50 - €0.84) x 20	**(1)**

Question Number	Which **one** of the following is the total monthly cost for *PPS*? **Answer**	**Mark**
1 (a) (vi)	**AO2 - 1 mark** **The only correct answer is A - €692.50** **B** is not the correct answer as €931.50 is €54 x €17.25 **C** is not the correct answer as €2137.50 is (€54 + €17.25) x 30 **D** is not the correct answer as €2312.50 is ((€54 + €17.25) x 30) + 175	**(1)**

Question Number	Define the term **robotics.** **Answer**	Mark
1 (b)	**AO1 - 1 mark** Award 1 mark for a correct definition of **robotics**. • Robots carry out manufacturing process with no human involvement **(1)**	**(1)**
Question Number	Define the term **capital intensive production** **Answer**	**Mark**
1 (c)	**AO1 - 1 mark** Award 1 mark for a correct definition of **capital intensive production**. • Production methods that use machinery more than labour **(1)**	**(1)**

Question Number	State **one** extension strategy *PPS* could use to extend the life cycle of the pet accessories. **Answer**	Mark
1 (d)	**A02 - 1 mark** Award 1 mark for an extension strategy *PPS* could use to extend the life cycle of its pet accessories. • *PPS* could change the design of a dog jacket **(1)** • *PPS* could redesign UK dog collars **(1)** **NB** Do not accept an extension strategy that is not in the context of *PPS.* **Accept any other appropriate response.**	**(1)**

Question Number	Calculate the new hourly minimum wage after the increase of 3.5%. **Answer**	**Additional guidance**	**Mark**
1 (e)	**A02 - 2 marks** 7.45 x 0.035 = 0.26 **(1)** 7.45 + 0.26 = 7.71 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Explain **one** reason why many businesses have a human resource function. **Answer**	**Mark**
1 (f)	**A01 - 3 marks** Award 1 mark for a reason why businesses have a human resource function, plus 2 further marks for explaining the reason, for a maximum of 3 marks. • To recruit employees **(1)** by identifying a vacancy in the business **(1)** and finding the right person for that vacancy **(1)** **NB** Answers that list three reasons with no explanation will get 1 mark only. **Accept any other appropriate response.**	**(3)**

Question Number	Analyse the usefulness of the gross profit margin to *PPS*. **Indicative content**	Mark
1 (g)	**AO2 = 3 marks AO3 = 3 marks** **<u>AO2</u>** • The gross profit margin in 2022 was 25.6% and in 2023 29.4% • Between 2022 and 2023 the GPM increased by 3.80% **<u>AO3</u>** • *PPS* can see that the increase indicates a healthy financial position with a positive increase and this may help in business decisions they have to make for following years • Figures such as this can be used to compare year on year performances and check changes in profitability	**(6)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

4 (a)	**AO2 - 2 marks** 84 054/266 058 x100 **(1)** = 31.59 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Analyse how *Café Pinch* could use market segmentation to target its customers. **Indicative content**	**Mark**
4 (b)	**AO2 – 3 marks AO3 – 3 marks** **<u>AO2</u>** • *Café Pinch* can look at the spend of the customers who take away its food and drink items • *Café Pinch* may want to target customers that work in Berlin or tourists who visit the city **<u>AO3</u>** • This can help it see if they have a wide enough price range to cater for various spends of people or if they are preventing people visiting the business because it is either too expensive or too cheap • They could use this information to reward loyal customers who work in the area while providing an authentic German café experience for tourists passing by	**(6)**

Level	**Mark**	**Descriptor**
	0	No Rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	Evaluate the importance of using methods of market research for *Café Pinch* to meet customer needs. You should use the information provided as well as your own knowledge of business. **Indicative content**	Mark
4 (c)	**AO1 = 3 marks AO2 = 3 marks** **AO3 = 3 marks AO4 = 3 marks** **AO1** • *Café Pinch* can use primary market research such as questionnaires • *Café Pinch* can use secondary market research such as the internet **AO2** • It will be able to speak directly to customers who come for breakfast, lunch and drinks • It will be able to search for specific menu information that other cafes in the area are offering **AO3** • Customers completing questionnaires will give *Café Pinch* feedback on the menu giving them ideas and how they can improve and further meet the needs of their customers • The internet has a vast amount of information on it so they could even find information about suppliers and source one more local and cheaper **AO4** • However, without conducting secondary research as well as primary *Café Pinch* will not have wider research such as the local competitors and their business activity • However, there might be too much information and this could make decision making harder and possibly less accurate	**(12)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-4	• Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used. (AO1) • Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3) • Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made. (AO4)
Level 2	5 - 8	• Demonstrates mostly accurate knowledge and understanding of business concepts and issues including appropriate use of business terminology in places. (AO1) • Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3) • Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made. (AO4)
Level 3	9 - 12	• Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology. (AO1) • Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3) • Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made. (AO4)

1 (a) (i)	**AO1 - 1 mark** **The only correct answer is D – Capital intensive** **A –** Kaizen - this is not correct because it is a method of lean production **B** – Job production - this is not correct because it is usually labour intensive **C** – Just-in-time - this is not correct because this is a method of lean production	**(1)**

Question Number	Which **one** of the following is a pricing strategy that involves setting a low price for a product when it is first introduced to the market to quickly gain market share? **Answer**	**Mark**
1 (a) (ii)	**AO1 - 1 mark** **The only correct answer is C – Penetration** **A –** Skimming **-** this is not correct because it is when a business charges a high price to begin with **B –** Competition **-** this is not correct because it is when a business considers its competitors price before setting theirs **D –** Cost plus - this is not correct because it is adding a mark-up to the product	**(1)**

Question Number	Which **one** of the following is most likely to improve the cash flow position of a small business to help prevent its failure? **Answer**	Mark
1 (a) (iii)	**AO1 - 1 mark** **(1)** Select **one** answer **The only correct answer is B – Paying suppliers later** **A** – Paying overhead costs sooner - this is not correct because it will increase the cash outflow **C** – Increasing the rate of pay for its employees- this is not correct because it will increase the cash outflow **D** –Decreasing the net cash flow - this is not correct because this means increased cash outflows compared to cash inflows	**(1)**

Question Number	Which **one** of the following is a financial business aim? **Answer**	Mark
1 (a) (iv)	**AO1 - 1 mark** **The only correct answer is C – Survival** **A –** Challenge - this is not correct because it is a non-financial business aim **B –** Independence - this is not correct because it is a non-financial business aim **D –** Control - this is not correct because it is a non-financial business aim	**(1)**

Question Number	Which **one** of the following would *CCT* pay in CNY for **six** electric bicycles? **Answer**	**Mark**
1 (a) (v)	**AO2 - 1 mark** **The only correct answer is D – 30 855.00 CNY** **A –** 550.00 CNY - this is not correct because it is the cost of one electric bicycle in £ **B –** 3 300.00 CNY - this is not correct because it is £550 x 6 bicycles **C –** 5 142.50 CNY - this is not correct because it is £550 x the exchange rate of 9.35	**(1)**

Question Number	Using **Figure 1** which **one** of the following is correct for *CCT*? **Answer**	**Mark**
1 (a) (vi)	**AO2 - 1 mark** **The only correct answer is C – it made a profit of 412 658 CYN** **A –** it made a loss of 1 031 646 CYN - this is not correct because it is the total costs **B –** it made a loss of 412 658 CYN - this is not correct because it is the total costs minus revenue **D –** it made a profit of 1 031 646 CYN - this is not correct because it is the total costs	**(1)**

Question Number	Define the term **branding**. **Answer**	**Mark**
1 (b)	**AO1 - 1 mark** Award 1 mark for a correct definition of **branding**. • A name or logo that distinguishes it from its competition **(1)**	**(1)**

Question Number	Define the term **autonomy**. **Answer**	Mark
1 (c)	**AO1 - 1 mark** Award 1 mark for a correct definition of **autonomy**. • Employees are given the authority to make decisions about how they work **(1)**	**(1)**

Question Number	State **one** method of secondary market research *CCT* could use to collect market data. **Answer**	Mark
1 (d)	**A02 - 1 mark** Award 1 mark for a method of secondary market research *CCT* could use to collect market data. • The internet to search for other bicycle-hire businesses in the local area **(1)** **NB** Do not accept a way that is not in the context of *CCT.* **Accept any other appropriate response.**	**(1)**

Question Number	Calculate, to **two** decimal places, the current ratio for 2024. You are advised to show your working **Answer**	Additional guidance	Mark
1 (e)	**A02 - 2 marks** 561 258/ 233 098 **(1)** = 2.41 **(1)**	Award 1 mark for correctly substituting numbers into formula. Award full marks for correct numerical answer without working.	**(2)**

Question Number	Explain **one** benefit to the business owner of operating as a private limited company. **Answer**	Mark
1 (f)	**A01 - 3 marks** Award 1 mark for a benefit to an owner of a private limited company, plus 2 further marks for explaining the benefit, for a maximum of 3 marks. • A private limited company has limited liability **(1)** which reduces the risk of ownership **(1)** as personal possessions will be protected in the event the business has to pay back any outstanding debts **(1)** **NB** Answers that list three benefits with no explanation will get 1 mark only. **Accept any other appropriate response.**	**(3)**

Question Number	Analyse the concerns *CCT* may have of introducing this app for its customers. **Indicative content**	Mark
1 (g)	**AO2 = 3 marks AO3 = 3 marks** **<u>AO2</u>** • Customers might be reluctant to download the app for a one-off biking experience • It can be costly for *CCT* to introduce an app where customers can book the bicycles. **<u>AO3</u>** • Its customers may have a lot of apps on their phones and might not see the point of downloading another one if they are only using it for a short amount of time whilst on holiday • *CCT* may not have the experience to create an app so may need to pay a designer to build the app and pay someone to maintain the app	**(6)**

Level	Mark	Descriptor
	0	No Rewardable material.
Level 1	1-2	• Limited application of knowledge and understanding of business concepts and issues to the business context. (AO2) • Attempts to deconstruct business information and/or issues, finding limited connections between points. (AO3)
Level 2	3-4	• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies. (AO2) • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies. (AO3)
Level 3	5-6	• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout. (AO2) • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning. (AO3)

Question Number	State **one** financial method of motivation *CCT* could use with its employees. **Answer**	**Mark**