

Example Candidate Responses

Cambridge
O Level

Cambridge O Level
Business Studies

7115

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Version 1

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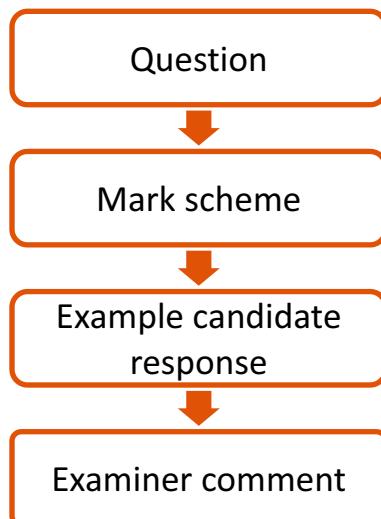
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Introduction

The main aim of this booklet is to exemplify standards for those teaching Cambridge O Level Business Studies (7115), and to show how different levels of candidates' performance relate to the subject's curriculum and assessment objectives.

In this booklet candidate responses have been chosen to exemplify a range of answers. Each response is accompanied by a brief commentary explaining the strengths and weaknesses of the answers.

For ease of reference the following format for each component has been adopted:



Each question is followed by an extract of the mark scheme used by examiners. This, in turn, is followed by examples of marked candidate responses, each with an examiner comment on performance. Comments are given to indicate where and why marks were awarded, and how additional marks could have been obtained. In this way, it is possible to understand what candidates have done to gain their marks and what they still have to do to improve them.

This document illustrates the standard of candidate work for those parts of the assessment which help teachers assess what is required to achieve certain grades beyond what should be clear from the mark scheme.

Past papers, Examiner Reports and other teacher support materials are available on Teacher Support at <https://teachers.cie.org.uk>

Assessment at a glance

For Cambridge O Level Business Studies, candidates take **two** compulsory components, Paper 1 and Paper 2. Both question papers will draw on topics taken from the whole of the syllabus content. All candidates are eligible for grades A* to E.

Components	Weighting
Paper 1 Written examination consisting of four questions requiring a mixture of short answers and structured data responses. Candidates answer all questions. 80 marks. Externally assessed.	1 hour 30 minutes 50%
Paper 2 Written examination consisting of four questions based on a case study, provided as an Insert with the paper. Candidates answer all questions. 80 marks. Externally assessed.	1 hour 30 minutes 50%

Teachers are reminded that the latest syllabus is available on our public website at www.cie.org.uk and Teacher Support at <https://teachers.cie.org.uk>

Paper 1

Question 1

- 1 PJK makes a range of luxury sports watches. Each watch is handmade by skilled workers. Quality assurance is important. The Operations Director has been looking at costs and prices as he wants to do a break-even analysis. This data is shown in Table 1. He is planning to invest in new technology to automate parts of the production process. The Operations Director thinks this is the best way to improve profitability.

Table 1: Costs and revenue (\$)

Price per watch	\$100
Variable cost per watch	\$50
Annual sales	6000
Annual fixed costs	\$200 000

- (a) What is meant by 'quality assurance'?

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[2]

- (b) Identify **two** ways in which break-even analysis might be helpful to PJK.

Way 1:

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Way 2:

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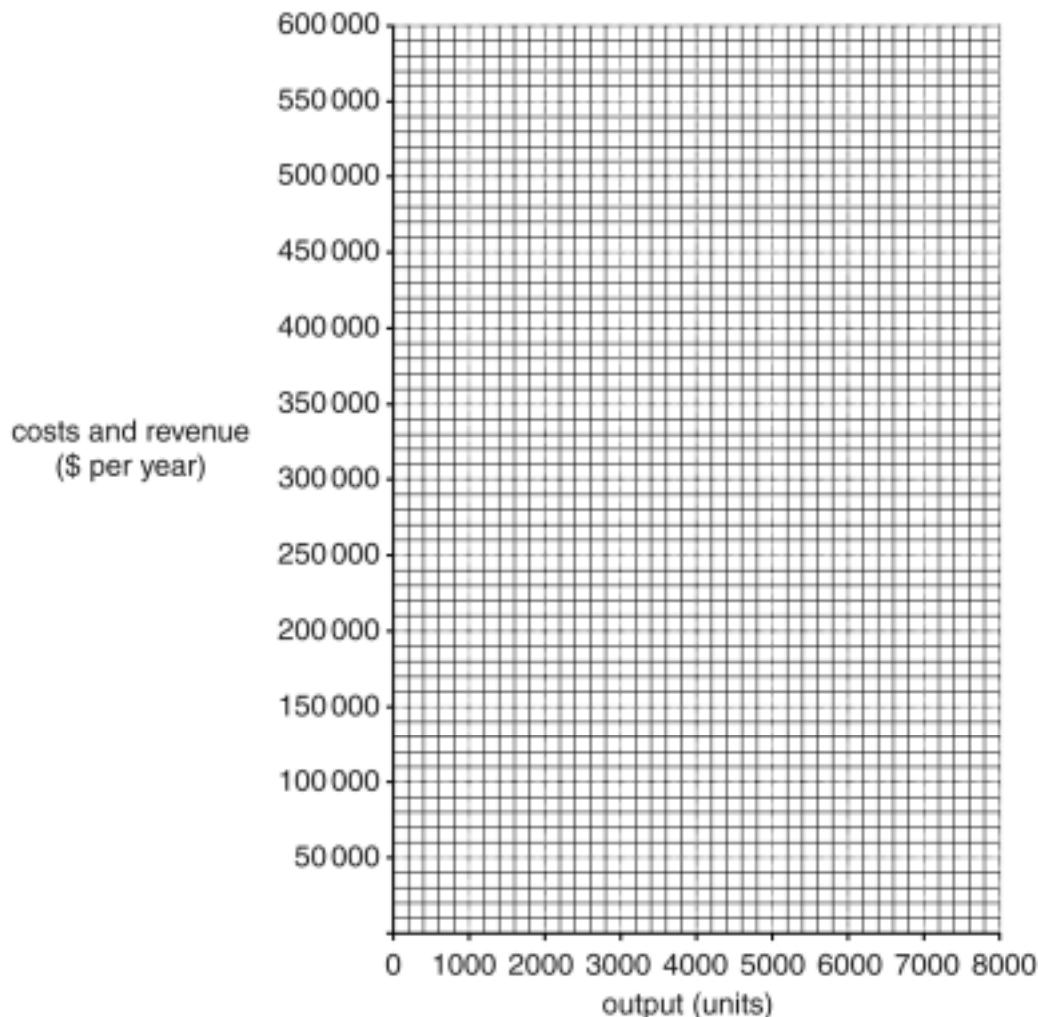
[2]

Question 1, continued

- (c) Using the information in Table 1, draw a break-even chart for PJK on Figure 1.

[4]

Figure 1



Question 1, continued

- (d) Identify and explain two advantages to PJK of having skilled workers.

Advantage 1:

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Advantage 2:

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[6]

- (e) Do you think that investing in new technology is the best way to improve profitability at PJK?
Justify your answer.

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[6]

Mark scheme

1 (a) What is meant by 'quality assurance'? [2]

Clear Understanding [2] – checking for quality standards [1] throughout the production process / every stage [1]

Some Understanding [1] – e.g. checking work done

Do not accept 'checking at end / checking end product' in this instance as this defines quality control

(b) Identify two ways in which break even analysis might be helpful to PJK. [2]

Application $[2 \times 1]$ – award 1 mark for each relevant way

Points could include:

- Planning / forecasting / decision making / help set prices
- Help work out level of profit at different levels of output
- Show margin of safety
- Shows how much needed to produce to cover costs / avoid loss / breakeven point
- Help apply for finance

Do not accept points such as shows costs / sales / profit on their own as too vague

(c) Using the information in Table 1, draw a break even chart for PJK. [4]

- Accurately plotted TR (revenue) line [1]: start at 0, at 4000 units should be at \$400 000
- Accurately plotted TC line [2] in total for start at \$200 000 [1] \$400 000 at 4000 units [1]
- Labelling: TR and TC [1] only if layout is correct. TR must start at zero and lines must cross

Notes:

- Accurately drawn unlabelled break-even chart [3]
- For 4 marks TR [revenue] and TC must be clearly labelled
- Max 1 mark for inaccurately plotted break-even chart with TR and TC correctly labelled

(d) Identify and explain two advantages to PJK of using skilled workers. [6]

Knowledge $[2 \times 1]$ – award 1 mark for identification of each relevant advantage [max 2]

Application $[2 \times 1]$ – award 1 mark if relevant reference made to this business

Analysis $[2 \times 1]$ – award 1 mark for each relevant explanation

Relevant points might include:

- Work quicker / more efficient / more productive [k] so lower average costs [an]
- More output [k] so able to meet any increase in customer demand [an] for watches [app]
- Higher quality / fewer mistakes [k] so less wasted materials [app] so can buy less inventory [an]
- Brand image / good reputation [k] as it's a luxury product [app] so people trust / buy [an]
- Less training needed [k] so saves cost [an]
- Less supervision needed [k] so managers have time to do other jobs [an]
- More flexible workforce [k] as able to switch between different stages of production [app]

Application marks may be awarded for appropriate use of the following: luxury product, watches, quality assurance, handmade, production process, materials / parts

Mark scheme, continued

- (e) Do you think that investing in new technology is the best way to improve profitability at PJK? Justify your answer [6]

Knowledge [1] – award 1 mark for identification of relevant issue(s)

Positive or negative points allowed or alternative ways to improve profitability [max 1]

Application [1] – award 1 mark if relevant reference made to this business

Analysis [2] – award up to 2 marks for relevant development of point(s)

Evaluation [2] – justified decision made as to whether new technology is the best way to improve profitability. Candidate's final decision can be either for or against the statement
Relevant points might include:

- Reduce labour costs [k] so lower costs [an]
- Less wastages or errors [k] so have to order less parts [app]
- Additional costs e.g. redundancy or training costs [k] initially reduce profitability [an]
- Impact on employee morale [k]
- Better quality / accuracy [k] for this luxury product [app] so customers might pay higher price [an] leading to bigger gap between costs and revenue [an]
- High initial costs of equipment [k]
- Speed up production [k] so leading to lower average costs [an]
- Might take away their USP [k] of being handmade [app] so reduce demand [an]
- Or Introduce more efficient working practices e.g. redesign factory layout [k]
- Or use cheaper materials [k] so lower variable costs [an] but could mean lower quality of watches [app]
- Or sell more through increased advertising [k] but could be expensive / may not work [an]

Application marks may be awarded for appropriate use of the following: luxury product / watches, skilled workers, quality assurance, handmade, production process, materials / parts

Example candidate response – high

- 1 PJK makes a range of luxury sports watches. Each watch is handmade by skilled workers. Quality assurance is important. The Operations Director has been looking at costs and prices as he wants to do a break-even analysis. This data is shown in Table 1. He is planning to invest in new technology to automate parts of the production process. The Operations Director thinks this is the best way to improve profitability.

Table 1: Costs and revenue (\$)

Price per watch	\$100.
Variable cost per watch	\$50.
Annual sales	6000
Annual fixed costs	\$200 000

- (a) What is meant by 'quality assurance'?

It means specialist employees will check the quality of products in every level of production.

[2]

- (b) Identify two ways in which break-even analysis might be helpful to PJK.

Way 1: Managers of PJK can tell how many watches PJK has to sell in order to ~~be go~~ begin profiting

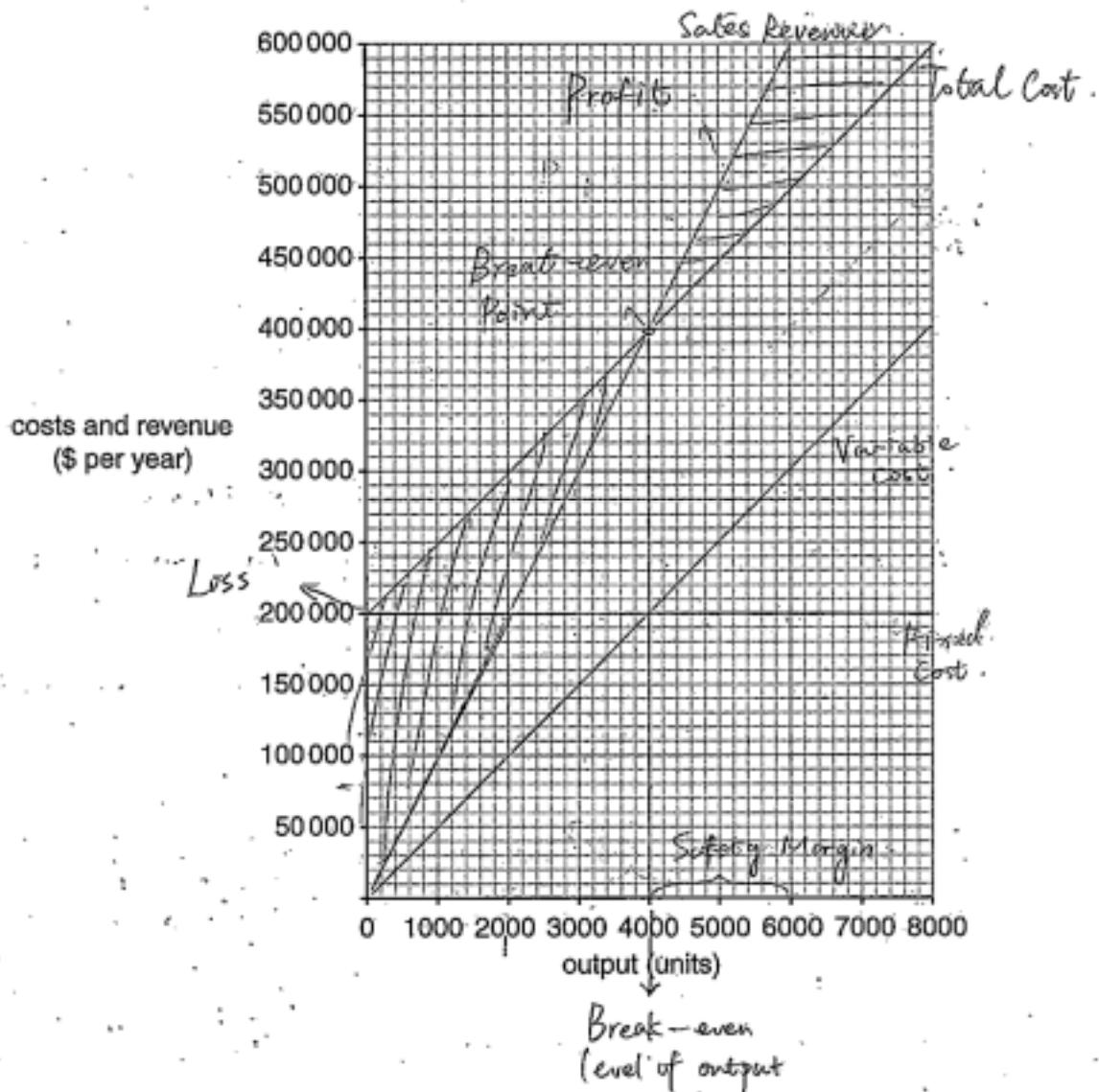
Way 2: Managers can predict the effect of decisions, such as introducing automation, on the profit PJK will make [2]

Example candidate response – high, continued

- (c) Using the information in Table 1, draw a break-even chart for PJK on Figure 1.

[4]

Figure 1



Example candidate response – high, continued

- (d) Identify and explain two advantages to PJK of having skilled workers.

Advantage 1: Less mistakes will be made.

Skilled.
Explanation: Experienced workers are less likely to make mistakes. So less waste will be made because of mistakes. Since PJK produces luxury watches it would save a lot of money ^{for materials} not having to repair those watches with flaws.

Advantage 2: Experienced workers are more productive and efficient.

Explanation: Since PJK's production is "handmade" so it's labour-intensive job production. The speed of production is entirely depending on how experienced workers are. So skilled workers speed up the production. [6]

More can be sold and more profit can be expected.

- (e) Do you think that investing in new technology is the best way to improve profitability at PJK? Justify your answer.

Introducing new technology can speed up the production since the production process is now automatic and 24-7 non-stopping. It would be

so average cost decreases and raises the profitability. a lot faster than "handmade" method. And since it's only parts of the production, unemployment might not

raise that much. However using new technology might damage the brand image of PJK of providing luxury handmade watches. And some loyal workers might not continuously purchase watches from PJK. So PJK might even lose profit.

I think PJK might need to maintain its reputation so new technology might not be the best idea. [6]

Examiner comment – high

(a) A correct definition of quality assurance was provided which recognised that this took place throughout the manufacturing process. Both marks were awarded. **2/2**

(b) The candidate identified two ways in which break-even analysis might be helpful. Both marks were awarded. **2/2**

(c) The candidate correctly plotted both the total cost and total revenue lines and labelled each line. All four marks were therefore awarded. **4/4**

(d) The candidate correctly identified two advantages, namely 'less mistakes' and 'more efficient', and then went on to clearly explain how each point could help the business lower its costs and speed up production. The candidate used relevant examples from the business in terms of luxury watches and handmade to show the importance of skilled workers to this particular business. A mark of six was awarded. **6/6**

(e) The candidate was required to discuss whether investing in new technology was the best way for this business to improve profitability. The candidate identified a number of relevant issues such as speed and developed the point to explain the possible benefit of this in terms of lower average costs. Unfortunately, the damage to brand image was not explained. The candidate then made a simple justified decision against the statement, which was valid based on the points made. The candidate needed to add further development to gain the second evaluation mark. Overall a total of four marks were awarded to this response. **4/6**

Total mark awarded = 18 out of 20

Example candidate response – middle

- 1 PJK makes a range of luxury sports watches. Each watch is handmade by skilled workers. Quality assurance is important. The Operations Director has been looking at costs and prices as he wants to do a break-even analysis. This data is shown in Table 1. He is planning to invest in new technology to automate parts of the production process. The Operations Director thinks this is the best way to improve profitability.

Table 1: Costs and revenue (\$)

Price per watch	\$100	Revenue = \$600000
Variable cost per watch	\$50	Total VC = \$300000
Annual sales	6000	Total cost = \$500000
Annual fixed costs	\$200000	Fixed cost = \$200000

- (a) What is meant by 'quality assurance'?

Quality assurance is when a business pays extreme attention and detail on the resources used for making a product of quality. It assures the quality of the product is good by certain inspections and quality control.

- (b) Identify two ways in which break-even analysis might be helpful to PJK.

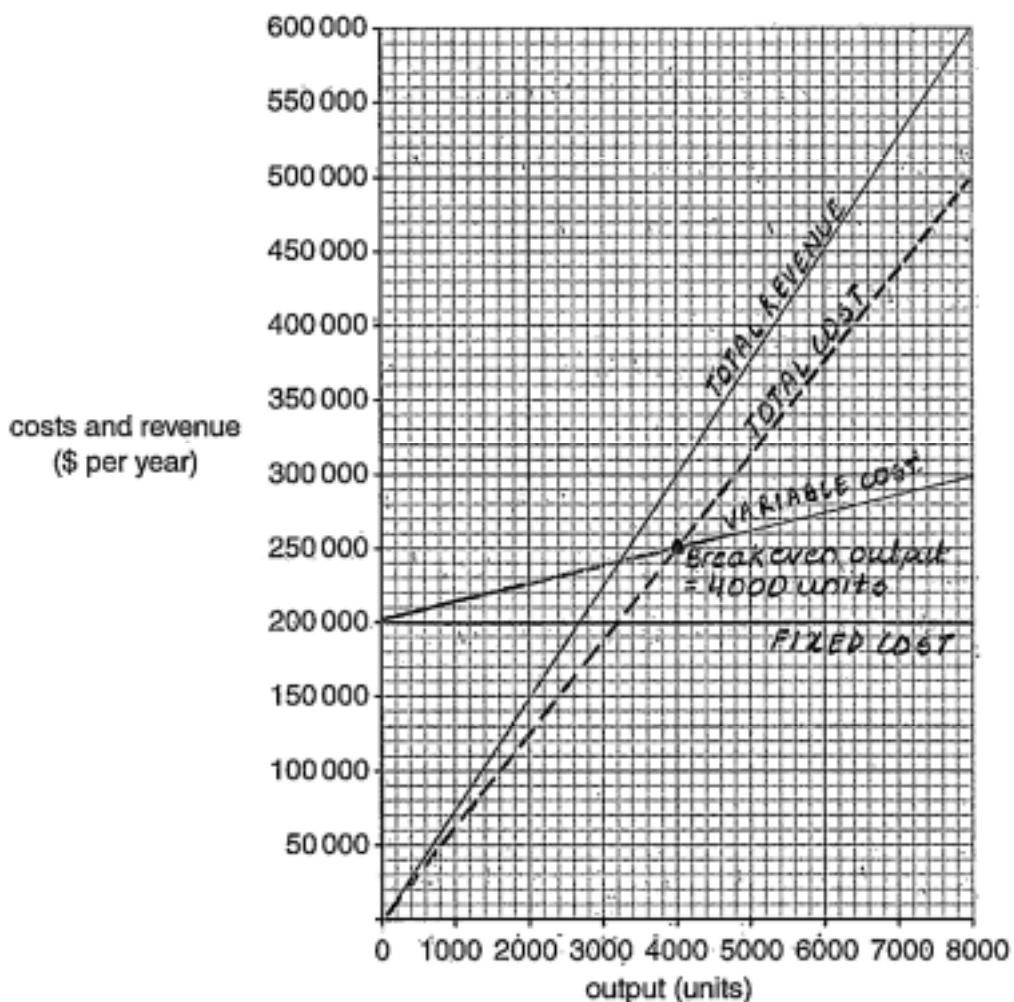
Way 1: PJK will have an estimate of the number of watches to be produced.

Way 2: less wastage and efficient use of resources since PJK knows how many units to produce

Example candidate response – middle, continued

- (c) Using the information in Table 1, draw a break-even chart for PJK on Figure 1. [4]

Figure 1



Example candidate response – middle, continued

- (d) Identify and explain two advantages to PJK of having skilled workers.

Advantage 1: Higher output of watches with assured quality.

Explanation: Skilled workers work with precision at a fast pace, which results in a higher and faster output of watches with great quality.

Advantage 2: Efficient use of resources and factors of production.

Explanation: Skilled workers tend to produce goods that are / do not waste resources or raw materials and save the costs of a business.

[6]

- (e) Do you think that investing in new technology is the best way to improve profitability at PJK? Justify your answer.

No, introducing new technology is not the best way to improve profitability at PJK. This is because PJK is known for producing high quality 'hand made' watches; but with interference from technology, the motive will be disrupted. PJK already employs skilled workers to produce watches and investing in technology will solely lead to a rise in the cost of production. However, new technology will assist the workers in increasing the output at a faster rate with less chances of error.

[6]

Examiner comment – middle

(a) The candidate gave an imprecise definition of quality assurance. They understood that it involved checking quality but there was no mention of when in the production process such checks occurred. A mark of one was awarded. **1/2**

(b) Both answers were vague. The points, namely estimate the number of watches and less wastage, were general points about information which could be found in a number of financial documents. To be rewarded the candidate needed to say how this information would help the business, for example to make decisions. No marks were awarded for this answer. **0/2**

(c) The candidate correctly plotted the starting point for total costs. This showed some application of theory to the question. Unfortunately, the other values shown for total costs and the total revenue line were imprecisely plotted and incorrectly labelled. A mark of one was awarded. **1/4**

(d) The candidate correctly identified two advantages, namely higher output and efficient use of resources. Both answers were clearly applied to the business in question. However, neither point was sufficiently developed to gain the analysis marks. For example, for advantage one the candidate did not explain how or why higher output would result in faster output or more quality. Four marks were awarded; two for identification of two advantages and two for applying these points to the business in question. **4/6**

(e) For this part there is only one mark available for knowledge. The candidate identified a number of issues, namely being known for high quality, increasing output and 'less chances of error', unfortunately none of these points were explained. The candidate needed to show how points such as fewer errors might help the business or why its reputation might be damaged by the introduction of new technology. The reference to 'handmade' watches showed some application to the question. There were two marks available for evaluation but unfortunately there was no clear attempt at evaluation made other than the statement at the start of the answer. Two marks were awarded; one mark for knowledge and one mark for application. **2/6**

Total mark awarded = 8 out of 20

Example candidate response – low

- 1 PJK makes a range of luxury sports watches. Each watch is handmade by skilled workers. Quality assurance is important. The Operations Director has been looking at costs and prices as he wants to do a break-even analysis. This data is shown in Table 1. He is planning to invest in new technology to automate parts of the production process. The Operations Director thinks this is the best way to improve profitability.

Table 1: Costs and revenue (\$)

Price per watch	\$100
Variable cost per watch	\$50
Annual sales	6000
Annual fixed costs	\$200 000

- (a) What is meant by 'quality assurance'?

Quality assurance is to have a check

on the quality of the product.

[2]

- (b) Identify two ways in which break-even analysis might be helpful to PJK.

Way 1: It could show them how much
money leaves and enter the business.

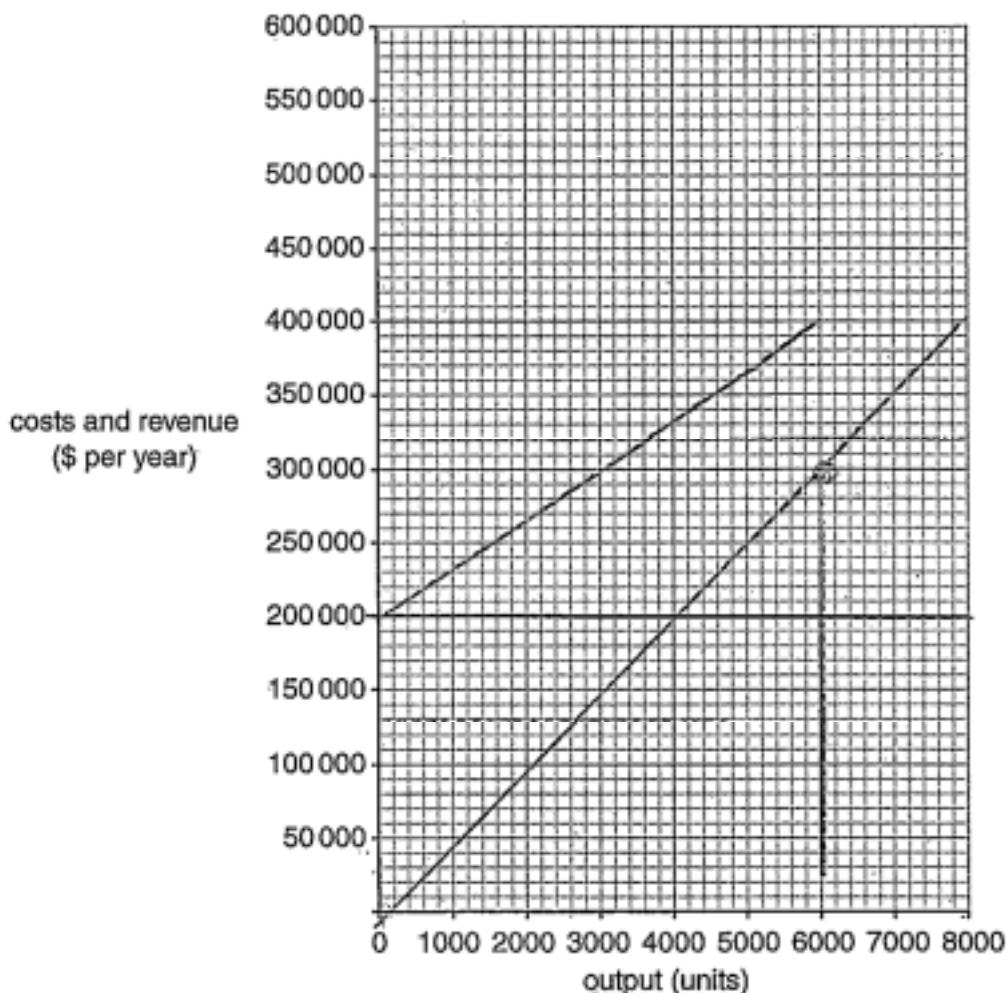
Way 2: It can also show where the break
even point is

[2]

Example candidate response – low, continued

- (c) Using the information in Table 1, draw a break-even chart for PJK on Figure 1.

[4]

Figure 1

Example candidate response – low, continued

- (d) Identify and explain two advantages to PJK of having skilled workers.

Advantage 1: Faster

Explanation: Skilled workers are faster because they know what they're doing and they are used to do it, so it will be faster ~~and has more accuracy~~.

Advantage 2: less time consuming

Explanation: They have skills so it won't take them long to finish, they ~~were~~ could finish it in a short notice because they are used to it. [6]

- (e) Do you think that investing in new technology is the best way to improve profitability at PJK? Justify your answer.

Improve profitability is to increase ~~the~~ ^{the} profit. Amount of money that enters the business. Investing in new technology could be a good use for the business because it can improve the products and the new technology could be faster on finishing things. Investing in new technology may cost a lot of money and employees could loose there jobs if they were replaced by machines or computers. I think he could investe in new technology if it will increase the money that enters the business and it could be helpful. [6]

Examiner comment – low

(a) The candidate understood that quality assurance involved checking quality but there was no mention of when in the production process such checks occurred. A mark of one was awarded. **1/2**

(b) The candidate correctly stated one way, namely it shows the break-even point. The other answer confused break-even analysis with a cash flow forecast so gained no credit. A total mark of one was awarded for this response. **1/2**

(c) The candidate correctly plotted the starting point for total costs. This showed some application of theory to the question. Unfortunately, the other values shown for fixed costs and the total revenue line were imprecisely plotted. There was no attempt to label the chart. Only one mark was awarded. **1/2**

(d) Limited understanding of this part of the question was shown in this response. The candidate was aware of one advantage, namely faster. The candidate identified another advantage but this was a repeat of the first point. There was no development as the explanation repeats the idea that using skilled workers will be faster rather than explain how this would benefit the business. There was no attempt to apply either answer to the scenario. The response was awarded one mark. **1/2**

(e) After a generic introduction, the candidate correctly identified a number of issues. The knowledge was provided as a list of points, although none of which were developed. For example, the candidate states that new technology could improve the products but does not explain how or why this would benefit the business. There was no attempt at application. The candidate makes a weak attempt at evaluation, but this statement is not supported by their answer. A mark of one was therefore awarded. **1/6**

Total mark awarded = 5 out of 20

Question 2

- 2 Alkin is a multinational company. It manufactures breakfast food products including many leading brands of cereal. Alkin plans to start selling in country Z, which is a fast-growing market. Alkin plans to form a joint venture with a local business, based in country Z. 'Effective communication will be important to our success but I think there are many advantages in expanding this way' said Alkin's Managing Director. The Government of country Z is worried about the effect of multinational companies like Alkin on consumers.

(a) What is meant by a 'multinational company'?

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.....
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[2]

(b) What is meant by a 'brand'?

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.....
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[2]

(c) Identify and explain **two** reasons why effective communication might be important for Alkin.

Reason 1:

Explanation:

Reason 2:

Explanation:

[4]

Question 2, continued

- (d) Identify and explain two advantages to Alkin of using a joint venture to expand into country Z.

Advantage 1: _____

Explanation: _____

Advantage 2

Explanation:

[6]

- (e) Do you think that the Government in country Z is right to be worried about the effect of multinational companies such as Alkin on consumers? Justify your answer.

[6]

Mark scheme

2 (a) **What is meant by a 'multinational company'?** [2]

Clear Understanding [2] – a business with factories, production or service operations in more than one country OR a business with production or service operation in another country outside its normal area of operation

Some Understanding [1] – e.g. has businesses everywhere / works or operates in more than one country

Do not accept 'sells in more than one country' as could equally apply to exporter

Do not accept examples

(b) **What is meant by a 'brand'?** [2]

Clear Understanding [2]: (unique) name, feature or design / logo or image of a product or business [1] that distinguishes it from other products or businesses [1]

Some Understanding [1]: e.g. something which makes a product 'stand out' [1]

Do not accept examples

Mark scheme, continued

(c) Identify and explain two reasons why effective communication might be important for Alkin. [4]

Knowledge [2 × 1] – award 1 mark for each relevant reason

Application [2 × 1] – award 1 mark for each relevant explanation in context of this business

Relevant points might include:

- Avoid diseconomies of scale [k] as communication can be difficult in a multinational [app]
- Everyone understands objectives [k] so no conflict in joint venture [app]
- avoid language issues / misunderstandings [k] particularly when start selling in country Z [app]
- Different cultures / management styles [k] so able to work with the local business [app]
- Better / faster decision making [k] so able to quickly react to changing tastes / flavours [app]
- Able to exchange ideas [k]
- Better relations with suppliers [k]
- Inform customers about its products [k] so that customers are interested in their food [app]

Note: Points can relate to either existing business or planned joint venture

Do not accept ‘improves motivation’ unless explains the impact on this business

Application marks may be awarded for appropriate use of the following: joint venture, country Z or countries, multinational company, breakfast cereals or food, expansion

(d) Identify and explain two advantages to Alkin of using a joint venture to expand into country Z. [6]

Knowledge [2 × 1] – identification of relevant advantage [max 2]

Application [2 × 1] – award 1 mark for each relevant reference made to this business

Analysis [2 × 1] – award 1 mark for each relevant explanation

Relevant points might include:

- Access to new markets [k] increasing brand awareness [an] of its range of cereals [app]
- Access to local expertise / ideas [k] e.g. cultural knowledge as tastes differ [app] so better able to meet customer requirements / ensure sales [an]
- Wider range of contacts / better access to resources [k] so might be able to obtain cheaper ingredients [app]
- Increased capital / share costs [k] so less risk [an]
- Increased capacity [k] so can meet expected growth in demand [app] without affecting supply for other markets [an]
- Way to avoid government restrictions [k] so able to maximise potential sales [an]
- Less competition [k] as working with local business [app] so one less rival [an]
- Economies of scale [k]
- Build reputation [k]

Application marks may be awarded for appropriate use of the following: multinational company, breakfast cereals or food, fast-growing market, local business

Mark scheme, continued

- (e) Do you think that the Government in country Z is right to be worried about the effect of multinational companies such as Alkin on consumers? Justify your answer [6]

Knowledge [1] award 1 mark for identification of relevant issue(s)

Must relate to consumers

Application [1] – award 1 mark if relevant reference made to this business

Analysis [2] – award up to 2 marks for relevant development of point(s)

Evaluation [2] – justified decision made as to whether the Government in country Z is right to be concerned about the effect of multinational companies such as Alkin **on consumers**

Candidate's final decision can be either for or against the statement

Relevant points might include:

- Access to international brands [k] so more consumer choice [an] so better able to find cereal that suits their individual needs [app]
- Increased competition [k] as local businesses have to respond [an] so lower prices [an]
- Fewer choices [k] so smaller producers forced out of business [an] so prices may increase [an]
- Minimum standard [k] as goods same all over the world [an]
- help meet customers demand [k] in fast growing market [app] as able to supply more [an]

Application marks may be awarded for appropriate use of the following: food, cereals, brands, fast growing market

Example candidate response – high

- 2 Alkin is a multinational company. It manufactures breakfast food products including many leading brands of cereal. Alkin plans to start selling in country Z, which is a fast-growing market. Alkin plans to form a joint venture with a local business, based in country Z. 'Effective communication will be important to our success but I think there are many advantages in expanding this way' said Alkin's Managing Director. The Government of country Z is worried about the effect of multinational companies like Alkin on consumers.

- (a) What is meant by a 'multinational company'?

Multinational company is a ~~business~~ company which has many of its branches in different countries and operates globally.

[2]

- (b) What is meant by a 'brand'?

Brand is a name to attract ~~and~~ ~~to~~ the customers to a series of products and a tool to distinguish their products with others.

[2]

- (c) Identify and explain two reasons why effective communication might be important for Alkin.

Reason 1: ~~Mis~~ Miscommunication might be expensive.

Explanation: Alkin is a multinational, so miscommunication between branches in different countries can cause a huge damage such as ordering different amount from the factory oversea.

Reason 2: Alkin is a big company, therefore to work efficiently effective communication is important.

Explanation: There are wide span of control and long chain of command. To reduce the management diseconomies of scale and work efficiently, effective communication is needed.

Example candidate response – high, continued

- (d) Identify and explain two advantages to Alkin of using a joint venture to expand into country Z.

Advantage 1: ... new skills and expertise will be brought in.

Explanation: ... Joint venture will allow Alkin to share skills with the other company which means Alkin can cooperate with skilled and talented employees and use their local experiences on the market to reduce the risk of the project and increase sales.
The risk is shared.

Advantage 2 ...

Explanation: ... Even though the operation and the result of a project is not successful, Alkin does not have to be responsible for the whole loss, they can be in charge of half the amount which significantly decreases the cost. [6]

- (e) Do you think that the Government in country Z is right to be worried about the effect of multinational companies such as Alkin on consumers? Justify your answer.

Yes, the government in country Z should be worried. By multinational companies coming to country Z, they can earn many benefits such as investment in the local premises, creation of new jobs and incomes, and the taxes that ~~Alkin~~ will pay to the government. Nevertheless, ~~multinational~~ produce and sell bad companies like Alkins ~~might force local businesses in~~ quality products and ~~take away~~ consumers using its market ~~country Z out of the competition and the market using its~~ share, forcing local businesses out from the market so that ~~power of big market share and capitals, which can lead to destruction of local economy.~~ Moreover, they might exploit natural resources and damage environment. They might also exploit local workforce in country Z by giving them low wages and providing bad working environment. Therefore the government has every right to be worried. [6]

Examiner comment – high

(a) The candidate offers some understanding by stating that a multinational company operated in a number of countries. To gain both marks the candidate would need to add further detail to clarify the type of operations undertaken by the business in each country. One mark was awarded. **1/2**

(b) A correct definition of a brand was provided which made clear that the name given to a product helped to distinguish this product from others. Two marks were awarded for this response. **2/2**

(c) The candidate correctly identifies two reasons, namely miscommunication might be expensive and diseconomies of scale. For the first reason the candidate is able to apply their answer by recognising that Alkin operated in a number of different countries so effective communication is needed between the different branches. The explanation of the diseconomies of scale is not applied. The reference to big was seen as too vague to be credited. To gain credit the candidate needed to be precise and state that this business was a multinational company. This response gained three marks. **3/4**

(d) The candidate has correctly identified two advantages, expertise and risk is shared, and then went on to clearly explain each point. Neither of these points was linked to the scenario. To gain the application marks, the candidate could have made reference to relevant points such as type of products made or stated that the joint venture was with a local business. The candidate was awarded four marks. **4/6**

(e) This part of the question required candidates to discuss whether customers would be affected by multinational companies. The answer starts by stating advantages to the country and ends with disadvantages to workers, which did not answer the question. The response does contain one relevant disadvantage, limited choice, and explains how this might occur but the point is not applied in context. The attempt at evaluation cannot be rewarded as the response is not focused on customers, which the question required. Two marks were awarded; one for identification of one knowledge point and one for analysis. **2/6**

Total mark awarded = 12 out of 20

Example candidate response – middle

- 2 Alkin is a multinational company. It manufactures breakfast food products including many leading brands of cereal. Alkin plans to start selling in country Z, which is a fast-growing market. Alkin plans to form a joint venture with a local business, based in country Z. 'Effective communication will be important to our success but I think there are many advantages in expanding this way' said Alkin's Managing Director. The Government of country Z is worried about the effect of multinational companies like Alkin on consumers.

- (a) What is meant by a 'multinational company'?

Multinational company is the company which have joined foreign market. They sell same products in different countries. They also have industries which produce and sell products and shops in different countries e.g. NIKE, Adidas [2]

- (b) What is meant by a 'brand'?

Brand is the name, logo or image of a company which can represent the company. Brand is simpler and easier to be remembered e.g. NIKE (✓), ZARA.

[2]

- (c) Identify and explain two reasons why effective communication might be important for Alkin.

Reason 1: To know different market conditions in different countries for better development.

Explanation: Based on different cultures in different countries.

Businesses should communicate with different people (managements) to know the conditions there. It is easier for company to keep fit in different market.

Reason 2: To exchange good ideas between different in the company.

Explanation: Communication is a good method to exchange ideas in the company. If one of the shops meet some problems; we need to communicate with other managers or workers to discuss how to solve the problems and give ideas to each other to have a better development.

Example candidate response – middle, continued

- (d) Identify and explain two advantages to Alkin of using a joint venture to expand into country Z.

Advantage 1: Spread risks with large quantity of people and have more investment (money, capital).

Explanation: Joint venture will have more or more people join together to help the business growth and they can share risks to them. And each person ^{has} risk, so that helps them more focused on the business and improve the business.

Advantage 2 Know more information about the local market (situation).

Explanation: Forming a joint venture with a local business can make Alkin more fit in the Country Z and ~~not~~ make products which are more match to the tastes of local people. Know more information of the particular food market in the country Z [6] to help make more profit and improve the company.

- (e) Do you think that the Government in country Z is right to be worried about the effect of multinational companies such as Alkin on consumers? Justify your answer.

Yes. Because Alkin is a foreign company, it will sell imports to the Country Z. People will be customs about the foreign food from Alkin. And people may buy try and buy more of food from Alkin. That can make the less goods sold of the local business. And local business will be reduced. Sales revenue and less profit. That makes Country Z more profitable. Government of country Z will worry about the profit to our local businesses. less profit local businesses will make ~~local business~~ worse condition of economy. Government will have less tax from them and [6] may be higher unemployment to the society.

Examiner comment – middle

- (a) The candidate provided a correct definition of a multinational company as they recognised that this type of business produced products in different countries. Two marks were awarded. **2/2**
- (b) The candidate showed some understanding as they knew a brand was the name, logo or image of a company. The term was not clearly explained as there was no mention of how it is this name which helps the business stand out and be distinct from its competitors. The response was awarded one mark. **1/2**
- (c) The candidate correctly identified two reasons, namely the need to communicate with different people and to exchange ideas. For the first point there was some attempt to link this to the scenario. The attempt was not successful because the candidate did not make it clear that this business operated in different countries. There was no attempt at application in the second reason. To gain credit the candidate needed to show how exchanging ideas might help develop new types of food or change how it made the cereal. Two marks were awarded. **2/4**
- (d) The candidate correctly stated two advantages but neither point is successfully explained. For example, for advantage one it is not clear why or how spreading risks helps a business be more focused. In the second advantage the candidate needed to say how more information would help lead to more sales or better meet customer needs. This response did show application in both the first and fourth lines to link the answer to the scenario. Overall, a total of three marks were awarded: two for knowledge and one for application. **3/6**
- (e) The response was confused and the candidate seemed to be answering a different question to the one set. The candidate had the wrong focus as buy more food and increased sales revenue were benefits to the business, rather than identifying how consumers might be affected. The answer then discussed the implications of increased sales for other businesses and the Government of these businesses having less profit. As such none of the points identified could be rewarded. **0/6**

Total mark awarded = 8 out of 20

Example candidate response – low

- 2 Alkin is a multinational company. It manufactures breakfast food products including many leading brands of cereal. Alkin plans to start selling in country Z, which is a fast-growing market. Alkin plans to form a joint venture with a local business, based in country Z. 'Effective communication will be important to our success but I think there are many advantages in expanding this way' said Alkin's Managing Director. The Government of country Z is worried about the effect of multinational companies like Alkin on consumers.

- (a) What is meant by a 'multinational company'?

Company who runs the business in ~~and~~ two or more
country / overseas

[2]

- (b) What is meant by a 'brand'?

Name given market name given for a certain
product

[2]

- (c) Identify and explain two reasons why effective communication might be important for Alkin.

Reason 1: ~~there will be~~ no miscommunication.

Explanation: It is important for Alkin because there will be no
misunderstanding between Alkin and country Z

Reason 2:

Explanation:

[4]

Example candidate response – low, continued

- (d) Identify and explain two advantages to Alkin of using a joint venture to expand into country Z.

Advantage 1: Right market target

Explanation: The local business in country Z will help Alkin to target the consumers.

With assumption the local business already know the consumers in Country Z seek for.

Advantage 2 Balanced profit for both ~~with~~ partners.

Explanation: Alkin and the local business has the same right on owning the business.

[6]

- (e) Do you think that the Government in country Z is right to be worried about the effect of multinational companies such as Alkin on consumers? Justify your answer.

NO. Because the company such Alkin will help the economic growth in country Z, ~~and the area~~

[6]

Examiner comment – low

- (a) The candidate gave an imprecise definition. The candidate understood the business was in two or more countries but there was no mention of the type of operations found in each country. One mark was awarded for this response. **1/2**
- (b) Some understanding was shown as the candidate knew that a brand was the name given for a certain product. The term was not clearly explained so the response was awarded one mark. **1/2**
- (c) The candidate correctly identified one reason why effective communication might be important and then went on to apply their answer to the scenario. The candidate did not offer a second reason. Two marks were awarded. **2/4**
- (d) The candidate correctly identified one advantage: helping target the consumers. There was some attempt to apply their answer to Alkin's situation but there was no development to show how or why this would create an advantage to a business. To gain credit the candidate needed to clarify that already knowing the consumers might lead to better products being produced or more sales being made. The second disadvantage listed was too vague as it was not clear how or why balanced profit was a benefit. Two marks were awarded for this response. **2/6**
- (e) The candidate did not seem to understand what was required in this question. The question required candidates to focus on the effect on consumers. The example provided was not a valid response as economic growth was an issue for the country so this did not answer the question set. No marks were awarded for this response. **0/6**

Total mark awarded = 6 out of 20

Question 3

- 3 Mabel wants to set up her own hairdressing business. She will need to build good customer relationships. She has done some secondary market research to find out possible demand and what methods of promotion to use. She has decided to buy her inventory (stock) from a wholesaler. Mabel is now looking for the right location for her business. She thinks that location will be more important than price charged to the success of her business.

- (a) Identify **two** ways that a business could build good customer relationships.

Way 1:

.....
Way 2:

[2]

- (b) What is meant by 'secondary market research'?

.....
.....
.....
.....
.....

[2]

- (c) Identify and explain **two** methods of promotion (other than promotional pricing) that Mabel might use.

Method 1:

Explanation:

.....
.....

Method 2:

Explanation:

.....
.....

[4]

Question 3, continued

- (d) Identify and explain **two** possible disadvantages to Mabel of buying her inventory from a wholesaler.

Disadvantage 1:

.....

Explanation:

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Disadvantage 2:

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- (e) Do you think that the right location is more important than the prices she charges to the success of Mabel's business? Justify your answer.

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Mark scheme

3 (a) Identify two ways that a business could 'build good customer relationships'. [2]

Knowledge [2 × 1] award 1 mark per way

Points might include:

- Offer good / personal service e.g. be friendly with customers
- Find out what customers want / offer the right product
- Ask for feedback
- Extra services e.g. delivery, credit terms, after sales, longer opening hours
- Resolve complaints quickly / refunds
- Communicate with customers regularly e.g. newsletters or mailshots
- Reward customer loyalty e.g. loyalty cards, special offers, discounts, vouchers, BOGOF, events

Accept any reasonable answer

(b) What is meant by 'secondary market research'? [2]

Clear Understanding [2] –

e.g. Information about the market / customer needs or competition [1]
that is already available / collected by other agencies [1]

Some Understanding [1] – e.g. Simple idea such as information already collected [1] / or
what market research is e.g. information about the market or finding out what
people want [1]

Do not accept examples

Desk research [0]

Mark scheme, continued

- (c) Identify and explain two methods of promotion (other than promotional pricing) that Mabel might use. [4]

Knowledge [2 × 1] – identification of suitable method [max 2]

Application [2 × 1] – award 1 mark for each relevant explanation in context of this business (e.g. show how or why it might be used)

Points might include:

- Free gifts / samples [k] give customers small bottles of shampoo to try [app]
- Demonstrations [k] let people watch whilst she shows possible styles on people's hair [app]
- Loyalty cards [k] e.g. customers get a free haircut if they visit a set number of times [app]
- Advertising (allow only once) [k] e.g. local paper / radio / television / leaflets to let potential customers know about her new business [app]
- Sponsorship / public relations [k]
- Competitions [k] customers will book appointments to have a chance of winning prizes [app]

Application marks may be awarded for appropriate use of the following: appointments, shampoo, haircuts, new business

- (d) Identify and explain two possible disadvantages to Mabel of buying her inventory from a wholesaler. [6]

Knowledge [2 × 1] – identification of relevant disadvantage

Application [2 × 1] – award 1 mark for each way if relevant reference made to this business

Analysis [2 × 1] – award 1 mark for each relevant explanation (i.e. why it is an disadvantage to a business)

Relevant points might include:

- May not stock all / latest products [k] so can't get all the hair products wanted [app] so wastes time looking elsewhere [an]
- More expensive [k] which could push up her costs [an]
- Take longer to receive stock [k] as many stages in distribution process [an] so large rival businesses might offer latest hair products first [app]
- Has to buy more than she wants / can't just buy one [k] could be more than she can afford [an] so less money to spend promotion / her new business [app]
- No direct contact with manufacturer [k] so cannot tell them what needed [an] so cannot build customer relations with her customers [app]

Do not accept high storage costs as not relevant to this business

Do not accept 'has to buy in bulk / large amounts' as the role of the wholesaler is to break bulk

Application marks may be awarded for appropriate use of the following: appointments, shampoo, haircuts, new business, (trying to build) customer relations

Mark scheme, continued

- (e) Do you think that the right location is more important than the prices she charges to the success of Mabel's business? Justify your answer. [6]

Knowledge [1] – award 1 mark for identification of relevant issue(s)

Positive or negative points allowed [max 1]

Application [1] – award 1 mark if relevant reference made to this business

Analysis [2] – award up to 2 marks for relevant development of point(s)

Evaluation [2] – justified decision made as to whether location or price is more important than the prices she charges to the success of Mabel's business.

Note: Must consider both price and location to access evaluation marks

Relevant points might include:

- Near target market [k] e.g. women / men would help ensure sales [an]
- If customer service is key feature [app] then price might not be important [k] as consumers might pay more for a better service [an]
- High price could discourage customers [k] who would go to competitors [an]
- Low prices could suggest low quality [k]
- Right location could affect the level of competition [k]
- Location / prices could influence image [k]
- Cost of rent might be too high [k] leading to increased costs / higher prices [an] so fewer customers can afford to go there to get haircut [app]

Application marks may be awarded for appropriate use of the following: good customer service, hairdressing, salon, new business, secondary market research

Example candidate response – high

- 3 Mabel wants to set up her own hairdressing business. She will need to build good customer relationships. She has done some secondary market research to find out possible demand and what methods of promotion to use. She has decided to buy her inventory (stock) from a wholesaler. Mabel is now looking for the right location for her business. She thinks that location will be more important than price charged to the success of her business.

- (a) Identify two ways that a business could build good customer relationships.

Way 1: Provide good after sales services such as fix ~~fix~~ dissatisfaction of the hair style.

Way 2: Give some promotion such as BOGOF BOGOF customers get so they will a free hairdress once they have one. [2]

- (b) What is meant by 'secondary market research'?

It's the analysis of existing data ~~for~~ or information from It's usually called desk ~~research~~ research. [2]

- (c) Identify and explain ~~two~~ methods of promotion (other than promotional pricing) that Mabel might use.

Method 1: Give ~~give~~ free gifts.

Explanation: For example, she can give a free bottle of dye to the customer who comes the first time. So they want to come to mable's shop.

Method 2: Buy one gets one free.

Explanation: For a period of time, if ~~they~~ ^{customers} buy a product or do a hairdressing they get a free one. So customers would be attracted to Mable's business. [4]

Example candidate response – high, continued

- (d) Identify and explain two possible disadvantages to Mabel of buying her inventory from a wholesaler.

Disadvantage 1: Mabel cannot buy all range of products.

Explanation: The wholesaler decides what to buy from the producer. So, Mabel cannot buy ~~all kinds~~ of products that are available because the wholesaler doesn't have it.

Customers might not be happy when they cannot find certain products in Mabel's shop.

Disadvantage 2: Prices of goods will be higher.

Explanation: The wholesaler has to make a profit. So, the price of goods will be higher than that of goods from manufacturers. So the cost of buying these products is higher. Less profit can be made by Mabel. [6]

- (e) Do you think that the right location is more important than the prices she charges to the success of Mabel's business? Justify your answer.

Right location is important, because it decides how many customers might visit Mabel's shop. So, potential customers ~~is~~ is decided by the location. So sales therefore is determined by it. However, the right pricing strategy is important as well. If Mabel wants to have a good customer relationship, price is ~~important~~. Also, price decides the competitiveness comparing to Mabel's competitors. Being able to gain market share is very ~~crucial~~ to start up a business. So since Mabel is not setting up a manufacturing business, location ~~plays a less~~ plays a crucial role also in transportation and materials. Right price might be more prior of Mabel's concern. [6]

Examiner comment – high

(a) The candidate correctly states two ways: after sales service and an appropriate example of a sales promotion. Two marks were awarded. **2/2**

(b) The candidate gave an imprecise definition of secondary market research. Existing data was identified but there was no mention of the type of information it gives. One mark was awarded. **1/2**

(c) The candidate correctly identified one method, gifts, and then went on to give an appropriate example in the context of a hairdressing business. The candidate identified one further method that was considered too vague to be credited, which was buy one get one free. This answer repeats the idea of free products for a period of time. To be credited as a separate method the candidate needed to show that this was a loyalty scheme. In total two marks were awarded for this response. **2/4**

(d) The candidate correctly identified two disadvantages: cannot buy a range of products and higher prices. The candidate then went on to explain how each point might create problems for a business in the form of customers might not be happy and higher prices might lead to less profit. Neither of these points was applied to this business. Four marks were awarded for identification of two possible disadvantages and two explanations. **4/6**

(e) Good understanding of relevant issues was shown in this response. A maximum of one mark was available for knowledge. The candidate used information given to help apply their answer to the situation. For example, wanting to have a good customer relationship as well as being aware that price can help decide the competitiveness of a business and this might be crucial to a new business. The candidate also identified that this was not a manufacturing business and used this information to help make a simple decision. Unfortunately, the point about the number of potential customers was not fully explained. A total mark of four was awarded for this response. **4/6**

Total mark awarded = 13 out of 20

Example candidate response – middle

- 3 Mabel wants to set up her own hairdressing business. She will need to build good customer relationships. She has done some secondary market research to find out possible demand and what methods of promotion to use. She has decided to buy her inventory (stock) from a wholesaler. Mabel is now looking for the right location for her business. She thinks that location will be more important than price charged to the success of her business.

- (a) Identify two ways that a business could build good customer relationships.

Way 1: By asking having personal contact with their customers

Way 2: By listening to their feedback, complaints and improving on it [2]

- (b) What is meant by 'secondary market research'?

It is the research which has already been carried out in the past and is available for use. It is not done first hand.

[2]

- (c) Identify and explain two methods of promotion (other than promotional pricing) that Mabel might use.

Method 1: Advertising

Explanation: Advertising in the local newspaper would be a great method of promotion as it would create awareness about the service being offered, will help in attracting new customers.

Method 2: Discounts & Offers

Explanation: By giving discount on hairdressing, would be a great option. More and more customers would want to get their hair dressed from Mabel, because she charges low prices. [4]

Example candidate response – middle, continued

- (d) Identify and explain two possible disadvantages to Mabel of buying her inventory from a wholesaler.

Disadvantage 1: ...High transportation costs.....

Explanation: ...The warehouse of the wholesalers is usually located on the outskirts of the city. Transporting the goods from the outskirts to inside the city is time consuming and very expensive. Whereas, buying from retailers is easier because they have their shops nearby.

Disadvantage 2:

...Will need to buy in bulk.....

Explanation: Wholesalers only sell in bulk, so the business will need to buy extra goods. This will result in inventory costs, handling and warehouse costs.....

[6]

- (e) Do you think that the right location is more important than the prices she charges to the success of Mabel's business? Justify your answer.

No, I don't think that the location of the business is more important than the price it charges for its products. No matter how good the location is, if the prices are very high, no one would want to purchase the product. They will prefer buying a substitute. For example:- A business is situated in the center of the city, where there is a large crowd, its suppliers are situated nearby. The rent for land is low, but it charges very high prices. Good location will help the business in keeping the cost of production low, but what is the point when the goods aren't getting sold and the business does not make profit. This will force the business to shut down. In conclusion, I would like [6] to say that location plays a crucial role in keeping the cost of production low and in having high number of customers. But, there is no point of all this if the goods aren't selling. Thus, price is more important.

Examiner comment – middle

- (a) The candidate correctly stated two ways: personal contact and listening to their complaints. Two marks were awarded. **2/2**
- (b) The candidate showed some understanding of the term as they recognised it was research which has already been carried out. The candidate then repeated the idea that the research was not done first hand rather than explain what type of information was gathered. One mark was awarded. **1/2**
- (c) The candidate correctly identified one method, advertising, but they provided a generic explanation which could apply to any business rather than the hairdressing business in question. A further example of discounts was offered but as this was seen as a type of promotional pricing it could not be credited. In total one mark was awarded for this response. **1/4**
- (d) The candidate correctly provided one disadvantage, cost, but the example offered as an explanation that it was therefore easier to buy from retailers was unclear and did not add to the knowledge shown. The second answer was incorrect as one of the roles of a wholesaler is to break bulk. A mark of one was therefore awarded. **1/6**
- (e) The candidate identified a range of issues, including the impact of high prices on the number of purchases and the cost of rent, and then went on to explain why both these factors needed to be considered. Analysis of the impact was shown through explanations of how high prices mean customers will prefer buying a substitute and how, if costs are too high and the business does not make profit, this will force the business to shut down. Based on this information a simple decision was made. There was no attempt to use the case study material to link their answer to the business in question. A mark of four was awarded. **4/6**

Total mark awarded = 9 out of 20

Example candidate response – low

- 3 Mabel wants to set up her own hairdressing business. She will need to build good customer relationships. She has done some secondary market research to find out possible demand and what methods of promotion to use. She has decided to buy her inventory (stock) from a wholesaler. Mabel is now looking for the right location for her business. She thinks that location will be more important than price charged to the success of her business.

- (a) Identify two ways that a business could build good customer relationships.

Way 1: ...By providing personalised or customised services to the consumers.....

Way 2: ...By personally conversing with the customers..... [2]

- (b) What is meant by 'secondary market research'?

Secondary market research refers to the obtaining of information through previously and already existing sources, such as the Internet or Government statistics..... [2]

- (c) Identify and explain two methods of promotion (other than promotional pricing) that Mabel might use.

Method 1: ...DISCOUNT COUPONS.....

Explanation: ...offering reductions in the price of the services at the salon will increase the number of people visiting.....

Method 2: ...VARIOUS OFFERS AND SCHEMES.....

Explanation: ...By providing offers and schemes to the customers, the salon will attract new customers and increase the loyalty of the existing ones [4]

Example candidate response – low, continued

- (d) Identify and explain two possible disadvantages to Mabel of buying her inventory from a wholesaler.

Disadvantage 1: Products may get wasted.

Explanation: When buying inventory from a wholesaler, goods need to be bought in bulk which might not necessarily be used. This will lead to wastage and rise in cost of Mabel's firm.

Disadvantage 2: Quality of goods is not assured.

Explanation: Buying goods from a wholesaler may lead to a compromise in the quality of goods/services provided to Mabel's customers.

[6]

- (e) Do you think that the right location is more important than the prices she charges to the success of Mabel's business? Justify your answer.

Yes, the right location choice is more essential. This is because the right location of Mabel's business will decide the number of customers and people her business is attracting. The sales revenue will be dependant on the location of Mabel's business, not only the price she charges. Also, the location of her business will justify the price charged for the services. She cannot charge and earn as much revenue as she would in the middle of a city than in the outskirts and countryside.

[6]

Examiner comment – low

(a) The candidate correctly identified two ways: customised service and conversing with the customers. The response was awarded two marks. **2/2**

(b) The candidate showed some understanding of secondary market research, as they knew that it was information from already existing sources. The candidate then went on to provide examples of the sources used rather than explain the type of information gathered. One mark was awarded. **1/2**

(c) The two methods identified were not accepted as both were examples of promotional pricing which the question did not allow, therefore no marks were awarded. **0/4**

(d) Limited understanding of this part of the question was shown in this response. The candidate was required to identify and explain possible disadvantages to a business of using a wholesaler. The two answers given, products may get wasted and quality is not assured, were too vague. The candidate did not explain how or why products might get wasted. Although the second point might be seen as a disadvantage the candidate did not clearly say why this was a particular problem of using a wholesaler rather than a general issue for any channel of distribution. This response gained no marks. **0/6**

(e) The candidate identified one issue, the number of customers, and then went on to explain how the location chosen would have an impact on the price charged and therefore the amount of revenue a business could gain. A simple decision based on this was made. The candidate made no attempt at application. In total three marks were given to this response. **3/6**

Total mark awarded = 6 out of 20

Question 4

- 4 A2Z is a small but successful airline company in country B, providing flights for business people. The management of A2Z wants the business to expand. It will have to buy more aeroplanes and recruit more airline pilots. The Human Resources manager has produced a job description for the pilots. She is now ready to advertise for the new pilots. She believes the best way for A2Z to motivate its pilots is to use financial rewards.

- (a) Identify **two** possible reasons why A2Z might want to expand.

Reason 1:

.....
Reason 2:

[2]

- (b) Identify **two** factors that A2Z should consider when choosing a source of finance to buy more aeroplanes.

Factor 1:

.....
Factor 2:

[2]

- (c) Identify and explain **two** advantages to A2Z of producing a job description.

Advantage 1:

.....
Explanation:

.....
Advantage 2:

.....
Explanation:

[4]

Question 4, continued

- (d) Identify and explain **two** suitable ways A2Z could use to advertise the new jobs.

Way 1:

Explanation:

Way 2:

Explanation:

[6]

- (e) Do you think that using financial rewards is the best way for A2Z to motivate its pilots? Justify your answer.

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[6]

Mark scheme

4 (a) Identify two possible reasons why A2Z might want to expand. [2]

Knowledge / Application [2 × 1] – award 1 mark for each relevant reason

Points could include:

- Increase sales OR revenue OR market share or dominate market or target new markets
- Increase profit
- Spread risk / attract more investment
- Improve reputation / status / brand image
- Gain economies of scale

(b) Identify two factors that A2Z needs to consider when choosing a source of finance to buy more planes. [2]

Application [2 × 1] – award 1 mark for each relevant factor

Points could include:

- Amount needed
- Current level of debt / gearing
- Amount of retained profits / cash
- Time (how long need finance for)
- interest rates
- Whether can offer security for loans
- Ability to repay / able to afford

Do not accept purpose as this is stated in the question

Mark scheme, continued

(c) Identify and explain two advantages to A2Z of producing a job description. [4]

Knowledge [2 × 1] – award 1 mark for each advantage [max 2]

Application [2 × 1] – award 1 mark for each relevant explanation in context of this business
Relevant points might include:

- Provides a clear idea of what job involves [k] so they can select the best pilots [app]
- Saves time / money / makes selection easier [k] as won't get applications from people who cannot fly planes [app]
- As a basis for drawing up a contract [k] so sure that all duties will be carried out on-board [app]
- Helps decide basis for pay [k]
- Help create person specification [k]
- Helps create appropriate job advert [k]
- Helps resolve disputes [k] between managers and pilots [app]

Do not accept advantages to employees. Candidates must not refer to person specification

Application marks may be awarded for appropriate use of the following: flights, on-board, planes or aircraft, airline, pilots

(d) Identify and explain two suitable ways that A2Z could use to advertise the new jobs. [6]

Knowledge [2 × 1] – award 1 mark for identification of each relevant way [max 2]

Application [2 × 1] – award 1 mark for each way if relevant reference made to this business

Analysis [2 × 1] – award 1 mark for each relevant explanation

Relevant points might include:

- Specialist magazines [k] as looking for qualified people [app] so likely to read magazines targeted at them [an]
- Internet job sites / own website [k] as most people use internet to look for jobs these days [an]
- National TV / newspaper / radio advertisements [k] as might not be many pilots locally [app] so can attract suitable people [an]
- Job centre / Recruitment agencies [k] can help produce a shortlist of possible candidates [an]
- Specialist training / flight schools [k] where people have learnt to fly [app]

Application marks may be awarded for appropriate use of the following: fly, pilots, airlines, highly qualified / highly skilled, passengers

Do not accept answers such internet, website, schools or posters on own as too vague

Mark scheme, continued

- (e) Do you think that using financial rewards is the best way for A2Z to motivate its pilots? Justify your answer. [6]

Knowledge [1] – award 1 mark for identification of relevant issue(s). Positive or negative points allowed or alternative methods (points can be for business or employee) [max 1]

Application [1] – award 1 mark if relevant reference made to this business

Analysis [2] – award up to 2 marks for relevant development of point(s)

Evaluation [2] – justified decision made as to whether financial rewards are the best way for A2Z to motivate its pilots. Candidate's final decision can be either for or against the statement.

Note: evaluation must be from the **viewpoint of the business** not the employee

Relevant points might include:

- High wages help retain workers [k]
- Can the business afford to pay high wages [k]
- High skilled jobs [k] so will expect high levels of financial rewards [an] otherwise they will look for a job at rival airline [app]
- Money does not motivate everyone / already highly paid [k]
- Training might be offered [k] as high risk job [app] so safety might be more important
- profit sharing [k] as small airline [app] so might work as pilots may feel they have a direct impact on performance [an]
- Opportunities for promotion [k] could have limited value [an] as it is a small airline [app]
- Job security [k]
- Travel discounts for pilot and/ or family [k] so able to obtain cheap tickets [app]

Application marks may be awarded for appropriate use of the following: small, expansion, successful, references to risk involved in flying, tickets, **highly qualified / highly skilled**, **highly paid**, irregular work hours, passengers

Do not accept pilots as application as it is stated in the question

Example candidate response – high

- 4 A2Z is a small but successful airline company in country B, providing flights for business people. The management of A2Z wants the business to expand. It will have to buy more aeroplanes and recruit more airline pilots. The Human Resources manager has produced a job description for the pilots. She is now ready to advertise for the new pilots. She believes the best way for A2Z to motivate its pilots is to use financial rewards.

- (a) Identify two possible reasons why A2Z might want to expand.

Reason 1: A2Z wants to ~~take~~ occupy more market share so it makes more profit.

Reason 2: A2Z wants to benefit from economies of scales. So cost reduces and profit increases. [2]

- (b) Identify two factors that A2Z should consider when choosing a source of finance to buy more aeroplanes.

Factor 1: How long a period of time A2Z wants the finance to be? Because profits might not be made soon.

Factor 2: Does the finance have to be repaid or is there interest to be paid? [2]

- (c) Identify and explain two advantages to A2Z of producing a job description.

Advantage 1: The job description helps find job applicants with interest in that job.

Explanation: The job description shows the responsibility of the job. So people with interests in it will apply.

~~Advantage 2:~~ Such as driving a plane. It helps the company to place the job applicants in right vacancy.

Explanation: The job ~~applicant~~ description shows clearly the tasks needed to be done. So new pilots can be introduced to the company more easily. [4]

Example candidate response – high, continued

- (d) Identify and explain two suitable ways A2Z could use to advertise the new jobs.

Way 1: Advertise it in specialist magazines.

Explanation: Pilot is a job which needs specialist skills. A specialist magazine helps reach people with that specific skill. And magazines are usually colorful so attractive to job applicants.

Way 2: Advertise it in national newspaper.

Explanation: A national newspaper is issued to the whole country. Pilots are not common vocation. So reaching a lot of people is important. Also, newspaper is published frequently, usually daily. So many people [6] can see it.

- (e) Do you think that using financial rewards is the best way for A2Z to motivate its pilots? Justify your answer.

Financial rewards are good ways to motivate pilots. Based on Taylor's motivation theory, workers are motivated by personal gain. If the pilot is well paid, he can afford things he wants and improve living standards, so he will be motivated to work hard. However, according to Maslow's theory, people need more to be motivated. For example, the pilot might want to feel a sense of esteem, that is being respected by other pilots or passengers, so that he would work hard. And sometimes, a pilot will work hard only if he knows his job is secure. Financial rewards is a good way but it's not always the best way. [6]

Examiner comment – high

(a) The candidate correctly identified two reasons: increased profit and economies of scale. Two marks were awarded. **2/2**

(b) The candidate correctly identified two factors: period of time and interest to be paid. Two marks were awarded. **2/2**

(c) The candidate correctly identified one advantage: shows the responsibility of the job. The reference to driving a plane means the answer is applied to the airline company. The second advantage was too vague to be credited. It was not clear how the job description helps the company place the job applicants. The explanation simply repeats the idea that it clearly shows the tasks needed to be done which has already been credited in advantage one. In total this response was awarded two marks. **2/4**

(d) The candidate correctly stated two ways, specialist magazines and national newspaper. Both points were then developed to show why each was a suitable way to advertise the new jobs. The first way is applied to the case study as the candidate recognised that pilots need specialist skills so a specialist magazine would help reach these people with that specific skill. For the second way, the candidate developed their answer by explaining that newspapers were published frequently which means it would be able to reach a lot of people. The response stated that a pilot is not a common vocation but this was considered too vague to be credited as a separate application point as it appeared to be repeating the idea of specialist skills. In total, five marks were awarded; two for knowledge, two for analysis and one for application. **5/6**

(e) This response shows good knowledge as the candidate identified features from two different motivation theories, Taylor and Maslow. The explanations focused on how financial rewards could act as a motivator as personal gain could be a way to afford the things a pilot might want which could improve living standards. The response also offers an example of how having a sense of esteem could be achieved in the context of this business. There was a weak attempt at evaluation but there was no clear evidence to support the statement. The candidate needed to show how using Maslow's approach the business would benefit rather than the employees. A mark of four was awarded to this response. **4/6**

Total mark awarded = 15 out of 20

Example candidate response – middle

- 4 A2Z is a small but successful airline company in country B, providing flights for business people. The management of A2Z wants the business to expand. It will have to buy more aeroplanes and recruit more airline pilots. The Human Resources manager has produced a job description for the pilots. She is now ready to advertise for the new pilots. She believes the best way for A2Z to motivate its pilots is to use financial rewards.

- (a) Identify two possible reasons why A2Z might want to expand.

Reason 1: More profit ~~will~~ will be made. A2Z is a small company, so expanding company can increase the profits.

Reason 2: ~~more~~ Expanding the airline company can increase market share in the airline market. [2]

- (b) Identify two factors that A2Z should consider when choosing a source of finance to buy more aeroplanes.

Factor 1: Whether the company has more capital to buy planes to expand the company, but not cause a financial problem.

Factor 2: Whether the finance of the business meet some problems and whether the business will have a ~~large~~ loan to buy the planes and to repay loan and make more profits. [2]

- (c) Identify and explain two advantages to A2Z of producing a job description.

Advantage 1: To have more fitful ~~new~~ pilots and recruit right people.

Explanation: Outline the responsibilities and duties will make the company meet more fitful pilots and recruit right people.

Advantage 2: To make a clearer information for people who want to enter the company.

Explanation: Outlines the responsibilities and duties of the particular job will make it clearer to people what kind of people they want and what should they do. Information is more accurate for the public. [4]

Example candidate response – middle, continued

- (d) Identify and explain two suitable ways A2Z could use to advertise the new jobs.

Way 1: Advertising on the related Internet.

Explanation: Internet is a good to spread notices and information. It is free and do not have pay much money. And Internet can spread much wider, so that most of people can see it.

Way 2: Advertising on TV e.g. some recruiting programmes.

Explanation: There are lots of programmes for different companies to introduce new jobs on the TV. More people will see and ~~you~~ they may give you telephone number and more accurate information. Some people can ask questions directly.

- (e) Do you think that using financial rewards is the best way for A2Z to motivate its pilots? Justify your answer.

No. Although the financial rewards ~~are~~ is very practical and people ~~are~~ may be happier to get financial rewards. Because since they can get more money other than normal salaries. It is more important for pilots to get more time (holidays) to take rest. Because flying is a very tiring job. And every second you have to be concentrated on the job. So it ~~is~~ very makes you feel tired and bored and of course you are under a high pressure. So relax is ~~more important~~ for pilots. And also company should give them health check and safety insurance regularly [6] To make sure they are healthy

Examiner comment – middle

- (a) The candidate correctly identified two reasons: increased profit and increased market share. Two marks were awarded. **2/2**
- (b) The candidate correctly identified one factor, whether the company has free capital. The second answer was too vague as it was not clear why having a loan might be an issue. One mark was awarded. **1/2**
- (c) The candidate correctly identified one advantage, that it outlines the responsibilities and duties of the job. There was some basic application in the last line. The second advantage repeats the same point which will only be credited once. Two marks were awarded. **2/4**
- (d) The candidate correctly identified one way, advertising on television, and then went on to explain that it could be a suitable method because more people would see it. There was no attempt at application in this response. The candidate offered another way, Internet, but the answer was too vague. Although this may be considered a method, the candidate did not clearly state where on the internet the advertisement would occur. To gain credit the candidate needed to say it was a job website, the company's own website or one targeted at pilots. In total, two marks were awarded. **2/6**
- (e) After an unclear start the response contained a relevant method of motivation, that of more holidays, and some attempt to link this method to the scenario. The attempt at analysis was not successful as it was not made clear why 'relax is more important for pilots'. An attempt was made at evaluation but there was no evidence to support the initial statement. In total two marks were given; one mark was awarded for knowledge and one for application. **2/6**

Total mark awarded = 9 out of 20

Example candidate response – low

- 4 A2Z is a small but successful airline company in country B, providing flights for business people. The management of A2Z wants the business to expand. It will have to buy more aeroplanes and recruit more airline pilots. The Human Resources manager has produced a job description for the pilots. She is now ready to advertise for the new pilots. She believes the best way for A2Z to motivate its pilots is to use financial rewards.

- (a) Identify two possible reasons why A2Z might want to expand.

Reason 1: to provide flights to new countries

Reason 2: to recruit if they expand to other countries [2]

- (b) Identify two factors that A2Z should consider when choosing a source of finance to buy more aeroplanes.

Factor 1: the profit made from the customers buying the tickets.

Factor 2: the company's profit after a limited period of time. [2]

- (c) Identify and explain two advantages to A2Z of producing a job description.

Advantage 1: Job description will allow recruits to read and know what they are getting into.

Explanation: it will allow the recruits to know what they have to do on the job and find out their source of income.

Advantage 2: easier to understand

Explanation: it will be easier to know what to do on the job [4]

Example candidate response – low, continued

- (d) Identify and explain two suitable ways A2Z could use to advertise the new jobs.

Way 1: Advertising ... in newspapers & and internet

Explanation: In the newspapers there will be ads of pilot recruitment and also can be advertised on the web like in the blogs and other websites.

Way 2:

Explanation:

[6]

- (e) Do you think that using financial rewards is the best way for A2Z to motivate its pilots? Justify your answer.

It depends because most people need money to make a living to help themselves settle down for the future and for now and they also need a steady income. But for other people, they would want job satisfaction and also would need the job income for the job. so yes it is effective to use financial rewards for motivating its pilot's.

[6]

Examiner comment – low

(a) The candidate correctly identified providing flights to new countries as one reason. The other response did not answer the question so could not be credited. One mark was awarded. **1/2**

(b) The candidate seemed to be answering a different question to the one set. The candidate identified possible sources of finance rather than the factors to consider when choosing a source of finance. Therefore it gained no marks. **0/2**

(c) In this answer the candidate was required to state two advantages to a business of producing a job description. The candidate offered some advantages but neither is a valid response. The candidate discussed how the new employee might use the job description but did not explain how the business would use the document, which was the question set. The other advantage stated was too vague as it was not clear how or what was easier to understand. No marks were awarded for this response. **0/4**

(d) The candidate correctly identified one way but there was no attempt to explain why advertising in newspapers might be a suitable method. There was a basic attempt to link the answer to the context. The candidate identified a further way that was considered too vague to be credited, namely the internet. In total, two marks were awarded. **2/6**

(e) The candidate struggled to develop the answer. Knowledge was shown as the candidate recognised that people need money to make a living and people want job satisfaction. Unfortunately there was no application or analysis shown. A mark of one was awarded to this response. **1/6**

Total mark awarded = 4 out of 20

Paper 2

Frozen Fancies (FF)

Frozen Fancies (FF) is a partnership owned by Samah and Selina. The business was started five years ago after Samah and Selina were able to borrow finance easily from the bank. FF produces ice-cream in country X. The ice-cream is made from high quality ingredients and is sold at a high price. These ingredients are bought from a supplier which is located near FF's factory. Samah and Selina have always used this supplier since they started and have been pleased with the high quality ingredients even though they are expensive.

Sales increased for the first four years. This increase in sales was greater than FF had planned for. Last year the sales started to fall as a multinational food company set up an ice-cream factory and started selling ice-cream in country X. This ice-cream is not high quality and sells at prices below those of FF. FF targets a market segment of high income consumers and intends to keep selling its ice-cream for a high price.

FF's ice-cream is in high demand for 6 months but demand is lower for the rest of the year. The factory has 100 full-time production workers when it is busy but half of these workers are made redundant during less busy months.

FF plans to launch a new ice-cream flavour onto the market. It must decide between strawberry flavour and coconut flavour. The development of the new product will be financed by FF taking out a bank loan.

Appendix 1

New City News

1 May 2015

A multinational food producing company has set up in country X. This is good for the unemployed. It is also increasing economic growth leading to further economic development for the country. The Government has built new roads to improve distribution.

However, some businesses did not like this multinational opening a new factory as it has increased wages of other businesses in country X.

Appendix 2

ABC Ice-cream Ingredients

We supply ingredients at low prices

All our products are quality assured

We comply with all Government regulations on food standards

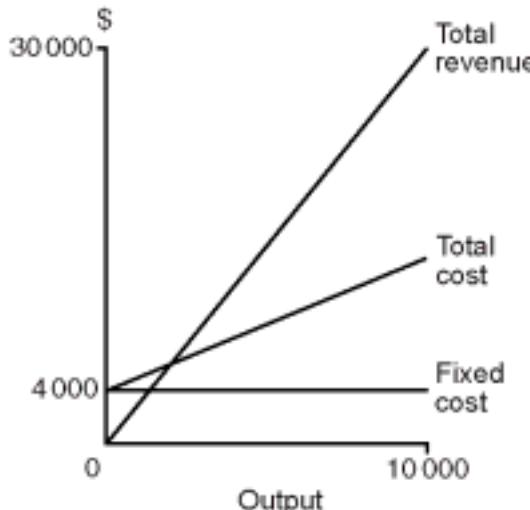
Free delivery to your business once a week

Appendix 3**Financial information for the two new ice-creams**

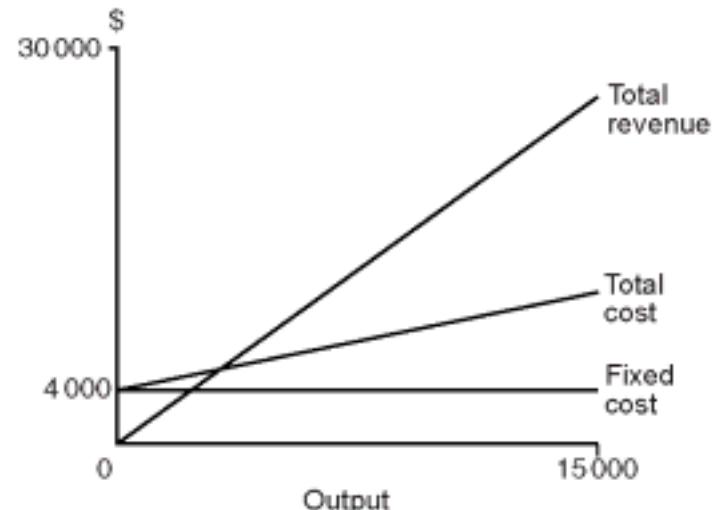
	Variable cost per ice-cream	Price per ice-cream	Estimated average sales per week
Option A Ice-cream strawberry flavour	\$1	\$3	10 000
Option B Ice-cream coconut flavour	\$0.50	\$1.75	15 000

Option A:

Break-even chart for strawberry flavour ice-cream

**Option B:**

Break-even chart for coconut flavour ice-cream



Question 1(a)

- 1 (a) Samah and Selina wrote a business plan before FF started trading 5 years ago. Identify and explain **two** ways their business plan might have helped to make the business successful.

Way 1:

Explanation:

Way 2:

Explanation:

[8]

Mark scheme

- 1 (a) Samah and Selina wrote a business plan before FF started trading 5 years ago. Identify and explain two ways their business plan might have helped to make the business successful.

[8]

Knowledge [2 × 1] – award one mark for each relevant way

Analysis [2 × 1] – award one mark for a relevant explanation for each way

Application [2 × 2] – award two application marks for each way

Award one mark for each relevant way (maximum of two), such as:

- It helps to secure a bank loan or overdraft
- The entrepreneur thinks ahead and plans out carefully the next few years
- Reduces risks of failure as the owners have thought through problems the business might have
- To clarify the aims and objectives / targets to aim for
- Aids financial planning

Award a maximum of three additional marks for **each** explanation – **2 of which must be applied to this context** - of the way a business plan might help make the business successful.

Indicative response:

A business plan reduces risk for the business (k) as Samah and Selina will have thought through problems such as where to source their ingredients for the ice cream and what it will cost them (ap). This will allow them to prepare for any problems and stop these causing difficulties for the business (an). This might include preparing for cash flow problems at times of the year when demand is low (ap).

Possible application marks: partnership; produces ice cream; high quality ingredients; expensive ingredients; ice cream sold for a high price; borrow finance easily from the bank; sales increased for four years; demand high for 6 months; cost / revenue data from appendix 3; new products / flavours; redundant workers; have taken out a bank loan; high income consumers.

There may be other examples in context which have not been included here.

Example candidate response – high

- 1 (a) Samah and Selina wrote a business plan before FF started trading 5 years ago. Identify and explain two ways their business plan might have helped to make the business successful.

Way 1: ...A... reassurance... for... investors...

Explanation: ...The... business... plan... can... detail... predicted... sales... in... future... months,... especially... the... summer... months... when... ice... cream... sales... are... high,... and... this... might... make... more... investors... (bank)... inclined... to... lend... them... money.... The... loan... can... then... be... used... to... willing... produce... the... new... flavour... ice... cream...

Way 2: ...A... clear... plan... of... what... the... business... plans... to... achieve... for... employees...

Explanation: ...It... can... make... help... employees... understand... what... the... company... seeks... to... achieve... and... work... to... fulfill... those... goals.... This... may... promote... efficiency... if... employees... know... that... some... of... them... may... be... made... redundant... in... the... coming... months... for... fear... of... losing... their... jobs.... They... may... also... understand... the... importance... of... the... quality... required... and... focus... on... that... instead... of... quantity/speed.... [8]

Examiner comment – high

The question requires the candidate to list two ways a business plan helped the business in the context to be successful. This candidate has listed two relevant ways and then goes on to explain how these ways have helped the business, such as 'might make more investors (bank) willing to lend them money' and 'employees understand what the company seeks to achieve and work to fulfil those goals.' Both explanations are clearly in the context of the business as they refer to the nature of the product produced and recognise that sales are seasonal, which has consequences for jobs in this business, as well as understanding that they need to maintain high quality in the production process.

Marks awarded for Knowledge and Analysis = 4 out of 4
 Marks awarded for Application = 4 out of 4

Total mark awarded= 8 out of 8

Example candidate response – middle

- 1 (a) Samah and Selina wrote a business plan before FF started trading 5 years ago. Identify and explain two ways their business plan might have helped to make the business successful.

Way 1: Setting objectives & aims for the business to achieve.

Explanation: A business plan would set out the objectives that needed to be met by the business in order for it to keep running successfully. This would enable FF to work towards a certain goal & have the motives made clear & prevent any confusion.

Way 2: Allowed them to take a loan from the bank easily.

Explanation: A business plan presented when applying for a loan would have made the bank less reluctant to give it since all the details are laid out. It is easier for the bank to give them the loan to finance the business as it would be ~~more assured~~ ^{more assured} that they will pay back [8]

Examiner comment – middle

Two clear ways of a business plan helping to make a business successful are identified and explained. However, for the candidate to raise their marks still further the answer would need to be in the context of an ice-cream manufacturer. This answer is generic and could apply to any type of business. The answer could have referred to, for example, the business only being five years old and a partnership, that it manufactures high quality ice-cream and purchases high quality ingredients, a new flavour is being developed and a bank loan is needed.

Marks awarded for Knowledge and Analysis = 4 out of 4

Marks awarded for Application = 0 out of 4

Total mark awarded = 4 out of 8

Example candidate response – low

- 1 (a) Samah and Selina wrote a business plan before FF started trading 5 years ago. Identify and explain two ways their business plan might have helped to make the business successful.

Way 1: Following plans is more suited as you follow your own rules

Explanation: Setting out your own plan and following them is crucial for a business to survive or to be successful, ~~which also means that you would not cross~~. The limits of your spending, everything beforehand is planned and if followed your objectives would be easily fulfilled.

Way 2: Business objectives

Explanation: Setting out objectives is an important part of any one when starting their business, as you improve and focus on ~~the main~~ either being a better brand image or increasing profits.

[8]

Examiner comment – low

The first answer is not clearly identified under the heading Way 1, however it does then go on to identify that a business plan helps a business to limit its spending and follow its objectives to help it survive. Therefore two marks for one way and an explanation of how that way helps to make the business successful can be awarded. The second answer is really a repeat of the first and needed to be different to gain further credit. If the second way had been a separate point and the answer had been in the context of the ice-cream business then further credit could have been awarded.

Marks awarded for Knowledge and Analysis = 2 out of 4

Marks awarded for Application = 0 out of 4

Total mark awarded = 2 out of 8

Question 1(b)

- (b) Consider the advantages to FF of employing full-time workers and the advantages to FF of employing part-time workers. Do you think a combination of these two types of workers would be best? Justify your answer.

Advantages of full-time workers:

Advantages of part-time workers:

Conclusion: _____

[12]

-[12]

Mark scheme

- (b) Consider the advantages to FF of employing full-time workers and the advantages to FF of employing part-time workers. Do you think a combination of these two types of workers would be best? Justify your answer. [12]

Relevant points might include:

	Advantages
Full-time workers	Likely to be better trained More committed to the business More likely to be trained / skilled than part-time workers Feel secure in job – more motivated (although several made redundant)
Part-time workers	More flexible hours Easier to extend hours at busy times Accept lower pay as fits in with family commitments

Knowledge / Analysis / Evaluation – award up to 10 marks using the levels-based mark scheme below.

	Knowledge / Analysis / Evaluation
Level 3	At least 2 × Level 2 + 9–10 marks for well justified recommendation as to the best type of worker to employ compared to the other type of worker. 7–8 marks for some limited judgement shown in recommendation as to the best type of worker to employ.
Level 2	4–6 marks Detailed discussion of advantages of part-time and / or full-time workers.
Level 1	1–3 marks Outline of advantages of part-time and / or full-time workers.

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. part-time workers are more flexible in the hours they are willing to work.

Level 2 – one L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. part-time workers are more flexible in the hours they are willing to work. This will allow Samah and Selina to reduce the hours of these workers when demand for ice cream is low for 6 months of the year, thus reducing wage costs (4 marks for L2 answer + 1 application mark for mentioning ice cream and demand being low for 6 months of the year).

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies which is the best combination to choose.

Award up to 2 additional marks for relevant application.

Mark scheme, continued

Possible application marks: produces ice cream; ice cream sold for a high price; borrow finance easily from the bank; multinational food company; sales increased for four years; demand high for 6 months; workers made redundant each year; 100 full-time production workers; cost / revenue data from appendix 3; new products.

There may be other examples in context which have not been included here.

Example candidate response – high

- (b) Consider the advantages to FF of employing full-time workers and the advantages to FF of employing part-time workers. Do you think a combination of these two types of workers would be best? Justify your answer.

Advantages of full-time workers: Full time workers are usually more motivated as they benefit from the motivation provided to them; this may help increase productivity in the factory which will help FF to sell further ice creams. Full time workers are cheaper to employ on the long run as part time workers charge a higher price per hour. They may be more loyal and work honestly for the business if it usually offered to full time workers which can due to the job security of full time working which is provided to an increase skills in the firm and will cause a reduction in mistakes.

Advantages of part-time workers: Part time workers can be employed at times in the year when demand is high thus wages only have to be paid to them during those few months which will reduce labour costs for FF and help them meet excessive demands during high seasons as they will be selling more ice creams. Part time workers do are not usually given extra motivation benefits which will reduce overheads and help increase net profit margin.

Conclusion:

Yes a combination of the 2 types of workers is the best choice. During peak seasons Sam and Selina could hire part time workers to increase the production of ice creams rather than paying overtime to full time workers which could cause exhaustion and reduced productivity and labour costs will be low as part time workers are only paid wage for few months.

Examiner comment – high

The question requires candidates to consider the benefits of employing either full-time or part-time workers and then recommending whether or not to employ both types of workers. This answer has explained advantages of both full-time and part-time workers well, which gained all of the Level 2 marks available. The answer was well applied throughout by referring to the sale of ice-cream and the seasonal nature of production. The recommendation is justified in suggesting that both types of workers should be employed and summarising the reasons why this decision was made. To gain full marks the recommendation would have required a further point to justify the decision.

Marks awarded for Knowledge, Analysis and Evaluation = 9 out of 10

Marks awarded for Application = 2 out of 2

Total mark awarded = 11 out of 12

Example candidate response – middle

- (b) Consider the advantages to FF of employing full-time workers and the advantages to FF of employing part-time workers. Do you think a combination of these two types of workers would be best? Justify your answer.

Advantages of full-time workers: Full time workers are a lot more dedicated compared to the part-time workers. They will more likely be working more efficiently and produce for ice-cream for FF. When you have a full time worker, he or she are more likely to be better and more skilled at that job compared to a part time worker.

Advantages of part-time workers: Part time workers are good for businesses such as FF because they will more likely be more motivated compared to the full time workers. They are also easier to lay off if the business starts to do poorly.

Conclusion: Having better workers in a business is always good, but since FF has to lay off some of its workers at different times of the year that means that FF should best hire both full time workers and part time. They can keep the full time workers and layoff the part time workers. It is better to keep people who are more experienced and are dedicated. [12]

Examiner comment – middle

The advantages for both types of workers are listed but not explained which leaves this part of the answer in the Level 1 band. Explanation of why these are advantages to this business would have raised the marks to the Level 2 band. The recommendation could only be awarded Level 2 and not Level 3 because the earlier parts of the answer did not contain analysis of the advantages. The advantages of full-time workers and the conclusion are applied to this context by referring to ice-cream production and the seasonal nature of production. To gain higher marks the advantages needed to be explained and then the recommendation could have contained justification from the earlier analysis and gained Level 3.

Marks awarded for Knowledge, Analysis and Evaluation = 4 out of 10

Marks awarded for Application = 2 out of 2

Total mark awarded = 6 out of 12

Example candidate response – low

- (b) Consider the advantages to FF of employing full-time workers and the advantages to FF of employing part-time workers. Do you think a combination of these two types of workers would be best? Justify your answer.

Advantages of full-time workers: full time workers gain more experience and become ~~more~~ more familiar with the working environment. So they can handle situations well, and they can build good relationships with customers due to their full time work, and they can help instruct new workers and employers,

Advantages of part-time workers: they work with all their energy because it's only a part time so they try to do their best, and ~~so~~ they can bring new ways and methods of how to approach a customer because they may work some place else

Conclusion: having a mixture of both would benefit the business, because they both have critical advantages and they complete each other, and their advantages differ meaning that the business would gain both sets of advantages

[12]

Examiner comment – low

The candidate lists advantages for each type of worker such as they are familiar with the work and can handle situations well, they can train other workers, and bring new ways of working to this business. These are Level 1 statements. To raise this answer to Level 2 the candidate would have needed to explain why these are advantages to this business such as being able to train workers will save FF the costs of training thus reducing expenses and increasing profit for the partners. The recommendation is vague and just states 'having a mixture of both' and this is not justified. Just making a recommendation is not sufficient to gain credit; it only gains credit when it is justified.

Marks awarded for Knowledge, Analysis and Evaluation = 3 out of 10

Marks awarded for Application = 0 out of 2

Total mark awarded = 3 out of 12

Question 2(a)

- 2 (a) Identify and explain **two** benefits to FF of targeting a specific market segment for its products.

Benefit 1:

Explanation:

Benefit 2:

Explanation:

[8]

Mark scheme

2 (a) Identify and explain two benefits to FF of targeting a specific market segment for its products. [8]

Knowledge [2 × 1] – award one mark for each relevant benefit

Analysis [2 × 1] – award one mark for a relevant explanation for each benefit

Application [2 × 2] – award two application marks for each benefit

Award one mark for each relevant benefit (maximum of two), such as:

- makes advertising / promotion more effective
- a more focused marketing mix
- product meets customer needs of specific niche
- price suitable for target market
- suitable channel of distribution chosen
- meets specific customer needs
- more effective use of marketing budget
- more likely to have higher sales to that target market
- lower competition in a specific market

N.B. the discussion should focus on marketing as opposed to production

Award a maximum of three additional marks for **each** explanation – **2 of which must be applied to this context** - of the benefit of targeting a specific market segment for its products.

Indicative response:

The marketing mix is likely to be more effective (k) because FF has identified the particular high income customers (ap) who are likely to buy their ice cream. The advertising can be in a form which reaches these target customers and so make the promotion more effective [an]. The cost of promotion is likely to be more cost effective in turning advertising expenditure into sales of ice cream (ap).

Possible application marks: produces ice cream; high quality ingredients; expensive ingredients; ice cream sold for a high price; sales increased for four years; increasing economic growth leading to economic development; high income customers; essential / luxury products;

There may be other examples in context which have not been included here.

Example candidate response – high

- 2 (a) Identify and explain two benefits to ~~FF~~ of targeting a specific market segment for its products.

~~marketing~~

Benefit 1: ~~marketing expenditure is~~ rendered cost-effective.

Explanation: If F.F. targets a specific segment like high income consumers, it means that all marketing efforts including advertising campaigns, promotional sales and pricing will all focus on them according to their luxury life-style. By doing so, marketing expenditure will be made cost-effective and costs will be minimised for Sarah and Selina.

Benefit 2: help to develop new ice cream products

Explanation: A specific market segment normally shares a common yet distinct taste of things. By identifying the market segment, Sarah and Selina could have an idea of their customers' common likes and dislikes. Hence, Sarah and Selina launch a suitable new ice cream products for ~~the~~ and increase their sales. [8]

Examiner comment – high

This question requires the candidate to list two benefits to the business of targeting a niche market rather than the mass market. This candidate has listed two relevant benefits and then goes on to explain how these benefits have helped the business, for example 'made the marketing more effective' and 'understand customer needs and wants'. Both benefits are in the context of this ice-cream manufacturer which is targeting high income consumers and by doing so they can better meet customer wants, hence increasing sales. The answer could have been raised to full marks if the first benefit had focussed the explanation on marketing to high income customers and therefore made it more applied to this target market.

Marks awarded for Knowledge and Analysis = 4 out of 4

Marks awarded for Application = 3 out of 4

Total mark awarded = 7 out of 8

Example candidate response – middle

- 2 (a) Identify and explain two benefits to FF of targeting a specific market segment for its products.

Benefit 1: They can meet to the specific needs and wants of their customer.

Explanation: By increasing customer loyalty as it gives them customer satisfaction so having their needs and wants met. Thus even though they raise their prices might go up, customers will remain loyal, improving its reputation and brand image.

Benefit 2: A larger market share

Explanation: They will own a larger market share as they ~~are unique~~ found a gap in the market. Thus higher sales revenue. They will be known for their product in their particular market without competing with other brands. With lower competitiveness, FF can dominate the market.

[8]

Examiner comment – middle

Two benefits of targeting a niche market are identified and explained – ‘meet specific customer needs and identify a gap in the market’. However, this answer is generic and could apply to any business. For the candidate to raise their marks still further the answer would need to be clearly in the context of an ice-cream manufacturer. The answer could have referred to for example, the business being a relatively new business and still a small partnership, it purchases high quality ingredients and sells its ice-cream at high prices and a new flavour is being developed.

Marks awarded for Knowledge and Analysis = 4 out of 4

Marks awarded for Application = 0 out of 4

Total mark awarded = 4 out of 8

Example candidate response – low

- 2 (a) Identify and explain two benefits to FF of targeting a specific market segment for its products.

Benefit 1: You'll find the right buyer

Explanation: If you start up your business in an open market, there are less chance at it being successful, if its in the ~~the~~ target markets then you have higher chance of finding the right audience

Benefit 2: more profit as correct market

Explanation: as its the correct market, less trouble ~~against~~ between ~~work~~ finding the buyers, more investors and people to buy your product = higher sales.

[8]

Examiner comment – low

The benefits are not clearly identified under the headings Benefit 1 and Benefit 2, however the answer does then go on to identify that a business has a higher chance of finding the right customers and more likely to have higher sales. Therefore two marks for each benefit can be awarded but the explanation of the benefits is too brief and vague to gain further credit. The answer is generic and if it had been in the context of the ice-cream business then further credit could have been given for application.

Marks awarded for Knowledge and Analysis = 2 out of 4

Marks awarded for Application = 0 out of 4

Total mark awarded = 2 out of 8

Question 2(b)

- (b) Samah and Selina will want to promote the new flavour of ice-cream. Consider the advantages and disadvantages of the following **three** methods of promotion. Recommend which is the best method for Samah and Selina to use. Justify your answer.

Advertising on social networks:

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Handing out leaflets with a discount offer on them:

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Giving out free samples in shopping malls:

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Recommendation:

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[12]

Mark scheme

- (b) Samah and Selina will want to promote the new flavour of ice cream. Consider the advantages and disadvantages of the following three methods of promotion. Recommend which is the best method for Samah and Selina to use. Justify your answer. [12]

Relevant points might include:

	Advantages	Disadvantages
Advertising on social networks	Can reach a specific target market Cheap method of advertising	May not reach the target market being aimed at Sponsored links can be expensive
Handing out leaflets with a discount offer on them	Cheap to produce Encourages purchases with discount	Loss of revenue with the discount Leaflets can be discarded
Giving out free samples in shopping malls	Encourages customers to try the product Realise how nice it tastes Increases awareness of the new product	Cost of employing additional staff and cost of the product to give out free

Knowledge / Analysis / Evaluation – award up to 10 marks using the levels-based mark scheme below.

	Knowledge / Analysis / Evaluation
Level 3	At least 2 × Level 2 + 9–10 marks for well justified recommendation as to the best method of promotion compared to the other methods. 7–8 marks for some limited judgement shown in recommendation as to the best method of promotion.
Level 2	4–6 marks Detailed discussion of advantages and / or disadvantages of the ways to promote the new product.
Level 1	1–3 marks Outline of the advantages and / or disadvantages of the ways to promote the new product.

Mark scheme, continued

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. can reach a specific target market on social networking sites.

Level 2 – one L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. can reach a specific target market on social networking sites. This is a quick and cheap way of reaching a large number of potential customers. However, as the ice cream is expensive and aimed at high income groups they may not be the sort of people who use Facebook and therefore this method will not reach the intended target market. (4 marks for L2 answer + 1 application mark for mentioning high income customers buying ice cream).

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies which is the best method to choose.

Award up to 2 additional marks for relevant application.

Possible application marks: produces ice cream; high quality ingredients; expensive ingredients; ice cream sold for a high price; multinational food company; taste new flavours; sales increased for four years; demand high for 6 months; new product financed by bank loan.

There may be other examples in context which have not been included here.

Example candidate response – high

- (b) Samah and Selina will want to promote the new flavour of ice-cream. Consider the advantages and disadvantages of the following three methods of promotion. Recommend which is the best method for Samah and Selina to use. Justify your answer.

Advertising on social networks: The advantages of advertising on social networks are that it's free in some place, some with cheap advertising and people will see it and might want to try. People might try to find the new flavour and try it and may like it. Disadvantages are that it may not reach out to the company's target group.

Handing out leaflets with a discount offer on them: Advantage of this is that people would like to try new things at a cheap price, getting a discount on new flavor will encourage customers to try and leaflets will promote and create brand images. Disadvantage is that there will be cost on printing leaflets and discount, people might just take it and throw it away, need to give on the right target because the ice-cream is expensive.

Giving out free samples in shopping malls: Advantages of giving out free samples are that people will be able to try, in this case if people try the new flavor and like it, encourages the consumers to buy the product and customers loyalty. However giving out free samples will ~~be~~ be expensive because lots of ice-cream will be given out and it's expensive to be made, also cost on booth of ice-cream. Some people might try it but not buying because expensive or dislike.

Recommendation: In conclusion I think that the best way to promote is giving out free samples. Even though the ice-cream are expensive to be made but giving free samples, consumers will be able to try without spending anything and may like it and order the new flavour. It is worth a try and spending on ice-cream is better than to waste it on leaflet use that money on the new flavoured ice-cream. [12]

Examiner comment – high

This question requires candidates to compare three different methods of promotion that this business could use for its new flavour of ice-cream, then select one method as the most suitable and justify this chosen method with why the alternatives were rejected. This candidate gives advantages and disadvantages for all three methods and gains Level 2 for each method. The question mentions the new flavour of ice-cream and so this cannot be credited with application marks in the discussion of the answer. The second method does identify that the ice-cream is expensive and is targeted at a specific market and so application can be credited for this part of the answer. Reference, such as to tasting the ice-cream, needing to increase sales as they had fallen the last year or competition from the multinational food company could have gained further application marks. Level 3 was awarded in the recommendation for a justified selection of a method and a brief comment on why the alternatives were rejected. To raise the marks to full marks the answer would need to be more applied and the recommendation would need to have more explanation of why the alternative methods were less suitable than the chosen method.

Marks awarded for Knowledge, Analysis and Evaluation = 8 out of 10

Marks awarded for Application = 1 out of 2

Total mark awarded = 9 out of 12

Example candidate response – middle

- (b) Samah and Selina will want to promote the new flavour of ice-cream. Consider the advantages and disadvantages of the following three methods of promotion. Recommend which is the best method for Samah and Selina to use. Justify your answer.

Advertising on social networks: Since a lot of people are using social network these days, it will benefit them ~~as~~ since the chances of it getting highly known or recognised is high. Therefore a lot of people will gain interest of buying the product. Especially those who use a specific social network.

Handing out leaflets with a discount offer on them: ~~Advertisement~~ It is eye catching to customer since a discount offer is offered. A lot of people might be interested since they have the opportunity to buy the product at a lower prices.

Giving out free samples in shopping malls: People could actually taste the product and may have thoughts of buying it. This will increase chances since customers ~~are~~ get to taste it and get to know the quality that it is offering - leading to new customers, since ~~the~~ ^{their} ~~they~~ the products may suit ~~to~~ ^{their} liking.

Recommendation: Giving out free samples in shopping malls. This will actually introduce the new flavour the best. Since customer gets to try the quality of the ice cream. Rather than having to only see it in pictures. And finding out that the ice cream is actually worth of buying rather than having to buy it of discounts.

[12]

Examiner comment – middle

The candidate gives advantages for each of the methods of promotion and the third method is explained in sufficient detail to just gain Level 2. However, to gain Level 2 for the other methods the candidate could also consider the disadvantages of each of these methods. The recommendation does make a justified selection and so gains additional credit at Level 2. For the marks to be raised further the answer should have included disadvantages of each method as this helps when weighing up which is the better method to choose.

Application was present in that the candidate recognised that this was a food product and that taste was important for customers. Further application would have also raised the marks higher.

Marks awarded for Knowledge, Analysis and Evaluation = 5 out of 10

Marks awarded for Application = 1 out of 2

Total mark awarded = 6 out of 12

Example candidate response – low

- (b) Samah and Selina will want to promote the new flavour of ice-cream. Consider the advantages and disadvantages of the following three methods of promotion. Recommend which is the best method for Samah and Selina to use. Justify your answer.

Advertising on social networks:

- more trust in brand
- brand becomes well known and will be noticed
- costly
- may annoy people as we hate social media adverts
- channel

Handing out leaflets with a discount offer on them:

- direct address so less chances of forgetting
- won't go unnoticed
- people may not care
- time consuming
- costly

Giving out free samples in shopping malls:

- direct address so less likely to forget
- most likely to attract customers
- costly
- time consuming
- address less people

Recommendation: advertising on social media because it will be seen by a wide variety and people are less likely to forget but they will have better brand image and will attract customers.

[12]

Examiner comment – low

The candidate lists several points for each of the methods and so gains all three of the Level 1 marks available. For the answer to move to Level 2 the points need to be developed and explained. Without Level 2 then Level 3 cannot be awarded. A generic answer will not gain application marks and if the answer had been in the context of this business then further marks could have been gained.

Marks awarded for Knowledge, Analysis and Evaluation = 3 out of 10

Marks awarded for Application = 0 out of 2

Total mark awarded = 3 out of 12

Question 3(a)

- 3 (a) Samah and Selina are considering buying ingredients from another supplier called ABC (see Appendix 2). Identify and explain **one** advantage and **one** disadvantage to FF of changing to ABC.

Advantage:

Explanation:

Disadvantage:

Explanation:

[8]

Mark scheme

- 3 (a) Samah and Selina are considering buying ingredients from another supplier called ABC (see Appendix 2). Identify and explain one advantage and one disadvantage to FF of changing to ABC.** [8]

Knowledge [2 × 1] – award one mark for each relevant advantage / disadvantage

Analysis [2 × 1] – award one mark for a relevant explanation for each advantage / disadvantage

Application [2 × 2] – award two application marks for each advantage / disadvantage

Award one mark for each relevant advantage / disadvantage (maximum of one each), such as:

Advantage	Lower costs / free delivery Reduce prices and possibly increase sales Increase profits Comply with government standards
Disadvantage	Reduce quality Reduce reputation for high quality product leading to lower sales Only deliver once a week Already have a good relationship with current supplier

Award a maximum of three additional marks for **each** explanation – **2 of which must be applied to this context** – of the advantage / disadvantage to the business of changing supplier.

Indicative response:

To lower costs of ingredients (k) which will allow Samah and Selina to reduce the price of the ice cream (ap) and possibly lead to an increase in sales [an]. However, as the ice cream is high quality the customers may not want to buy it if it is cheaper(ap).

Possible application marks: business 5 years old; produces ice cream; high quality ingredients; expensive ingredients; ice cream sold for a high price; multinational food company; supplier located near to factory; sales increased for four years; demand high for 6 months; free delivery; ABC only deliver once a week; any reference to details in Appendix 2; taste of product.

There may be other examples in context which have not been included here.

Example candidate response – high

- 3 (a) Samah and Selina are considering buying ingredients from another supplier called ABC (see Appendix 2). Identify and explain **one** advantage and **one** disadvantage to FF of changing to ABC.

Advantage: Reduces the cost of production.

Explanation: ABC's ice cream ingredients are comparatively cheaper than the previous supplier. Moreover, it also has free delivery once a week consequently reducing the cost of production that would increase the net profit if the sales were maintained.

Disadvantage: could reduce sales.

Explanation: As the quality of ABC's ice cream ingredients are not as high as the previous supplier and quality is an important aspect of FF company as they are selling it to high income earners. This would reduce sales value to poor quality or [8] change in quality of the ingredients.

Examiner comment – high

This question requires candidates to consider the information provided in Appendix 2 and then explain which points will be beneficial for the business if it changes to the new supplier and which points may have disadvantages. This candidate has identified the advantage of reducing costs and then explained it in context. The disadvantage of possibly reduced quality of ingredients has also been explained in context in that the product is sold to high income customers and if quality is not maintained then these customers may buy their ice-cream from a competitor. A well explained and well applied answer.

Marks awarded for Knowledge and Analysis = 4 out of 4
 Marks awarded for Application = 4 out of 4

Total mark awarded = 8 out of 8

Example candidate response – middle

- 3 (a) Samah and Selina are considering buying ingredients from another supplier called ABC (see Appendix 2). Identify and explain one advantage and one disadvantage to FF of changing to ABC.

Advantage: The products are quality assured
and the delivery is free once a week

Explanation: Samah and Selina can benefit from this because at the day the delivery will be free is the day that they will gain more sales and revenue. We know that they can make the money covered for expansion or improving existing shops.

Disadvantage: They supply ingredients at low prices which mean they might be a low quality.

Explanation: Samah and Selina can save money but they always have been good due to their high quality ingredients so some customers might fear them for another competitor and their sale and revenue might fall.

[8]

Examiner comment – middle

The candidate outlines the advantage of free delivery once a week and explains that this means costs are saved. The answer would have been better to explain that lower delivery costs would increase profit rather than revenue would be higher. The context does not state that the business has shops and so improving shops is not seen as application. The disadvantage of possibly lower quality ingredients leading to losing customers who expect high quality ice-cream meant that both the disadvantage and the explanation could be credited, and as it was in context then an application mark could also be awarded. Further explanation of the advantage and disadvantage in context of this business would have raised these marks still further.

Marks awarded for Knowledge and Analysis = 4 out of 4

Marks awarded for Application = 1 out of 4

Total mark awarded = 5 out of 8

Example candidate response – low

- 3 (a) Samah and Selina are considering buying ingredients from another supplier called ABC (see Appendix 2). Identify and explain **one** advantage and **one** disadvantage to FF of changing to ABC.

Advantage: ...low prices but good quality...

Explanation: ...the costs to for the business will go down...

Disadvantage: ...Trust Issues as it's new business...

Explanation: ...you may not trust the business as you have no idea how reliable they are...

[8]

Examiner comment – low

This candidate identified from Appendix 2 that although the prices are low the quality is still assured. The answer would have benefited from this being made clearer by saying the ingredients are quality assured as well as saying they are good quality. The advantage of lower costs as a result of the lower ingredient prices was identified, as was the disadvantage of the unknown reliability of the new supplier. Further explanation and further application to this business would have raised the marks for this answer.

Marks awarded for Knowledge and Analysis = 3 out of 4

Marks awarded for Application = 0 out of 4

Total mark awarded = 3 out of 8

Question 3(b)

- (b) Samah and Selina want to start selling a new flavour of ice-cream. Consider the **two** options outlined in Appendix 3. Recommend which one they should choose. Justify your answer.

Option A:

.....
.....
.....
.....
.....

Option B: _____

Recommendation: _____

..[12]

Mark scheme

- (b) Samah and Selina want to start selling a new flavour of ice cream. Consider the two options outlined in Appendix 3. Recommend which one they should choose. Justify your answer. [12]

Relevant points might include:

	Advantages	Disadvantages
Option A Strawberry-flavour	Break even at a lower output of 2 000 Profit is higher	Higher price might not sell all output
Option B Coconut-flavour	Higher sales predicted Lower production costs	Slower to breakeven – 3 200

	Revenue	Total Cost	Contribution	B / E	Profit
Option A Strawberry	30 000 (L1)	14 000 (L1)	2(L1)	2 000 (L2)	16 000 (L2)
	GPM = 66.7% (L2)	NPM = 53.3% (L2)			GP 20 000 (L1)
Option B Coconut	26 250 (L1)	11 500 (L1)	1.25(L1)	3 200 (L2)	14 750 (L2)
	GPM = 71.4% (L2)	NPM = 56.1% (L2)			GP 18 750 (L1)

Knowledge / Analysis / Evaluation – award up to 10 marks using the levels-based mark scheme below.

Mark scheme, continued

	Knowledge / Analysis / Evaluation
Level 3	<p>At least $2 \times$ Level 2 +</p> <p>9–10 marks for well justified recommendation as to the best option to choose compared to the other option.</p> <p>7–8 marks for some limited judgement shown in recommendation as to the best option to choose.</p>
Level 2	<p>4–6 marks</p> <p>Break-even output and / or profit and / or profit margins correctly calculated.</p>
Level 1	<p>1–3 marks</p> <p>Outline of advantages and / or disadvantages of both options.</p>

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. Option A has higher variable costs than Option B.

Level 2 – one L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. Option A has higher variable costs, a higher price and FF can break-even more quickly at 2 000 units of ice cream (4 marks for L2 answer + 1 application mark for mentioning units of ice cream).

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies which is the best option to choose.

Award up to 2 additional marks for relevant application.

Possible application marks: high quality ingredients; expensive ingredients; demand high for 6 months; strawberry flavour; coconut flavour; may need bank loan.

There may be other examples in context which have not been included here.

Example candidate response – high

- (b) Samah and Selina want to start selling a new flavour of ice-cream. Consider the two options outlined in Appendix 3. Recommend which one they should choose. Justify your answer.

Option A: The strawberry flavoured ice cream has a break-even at 2000 units ($4000 \div 2$). Total costs of the firm new flavour for the week is £ $\$14000$ ($10000 + 4000$). Total Revenue is 30000 (3×10000). Thus total profit of flavour is £16000 ($30000 - 14000$). Net profit margin is $16000 \div 30000 \times 100 = 53.3\%$, which is satisfying.
~~Cost to Revenue % = 46.7%~~
~~Cost to Revenue margin?~~

Option B: The coconut flavour ice cream has a break-even at 3200 units ($4000 \div 1.25$). Total costs are: £1500 ($7500 + 4000$). Total revenue is 26250 (1.75×15000). Thus total profit is 26250 - 11500 = £14750. Net profit margin is $14750 \div 26250 \times 100 = 56.2\%$, which is higher than strawberry flavour.
~~Cost to Revenue ratio is = $11500 \div 26250 \times 100 = 43.8\%$.~~

Recommendation: FF firm should choose the coconut flavour because it has a higher profit ratio, lower cost ratio. And even the price is comparatively lower which could attract further segments and consumers to try out the ice cream as all consumers are interested in value for money. ~~But sadly it has a greater break-even figure than strawberry ice cream.~~ ^{Also estimated sales} [12] which means it has to sell more products to neutralize costs.

Examiner comment – high

This question required candidates to compare the two options for a new flavour of ice-cream and, after calculating the profitability and/or break-even outputs, deciding which will be the better flavour to start producing. This candidate correctly calculates the break-even output for both flavours and also the net profit and net profit margin. The cost to revenue calculation was not credited but gross profit margin would have been credited if it had been in the answer. The answer was also clearly in the context of the two new flavours being considered and so all of the Level 2 marks and the application marks available were achieved. Level 3 required a selection and justification of the best flavour to start producing. The candidate makes a decision to choose coconut flavour because the profit margin is higher but then does identify that the break-even output is at a higher level. The candidate ignores the fact that the profit earned is higher for strawberry flavour even though they have calculated this figure. For full marks at Level 3 the candidate could have made further comments on the figures calculated in weighing up and making a decision as to which flavour to produce. A decision at the end of the weighing up of the results of the calculations might have encouraged the candidate to make an overall decision firmly justified using the all the figures.

Marks awarded for Knowledge, Analysis and Evaluation = 8 out of 10

Marks awarded for Application = 2 out of 2

Total mark awarded = 10 out of 12

Example candidate response – middle

- (b) Samah and Selina want to start selling a new flavour of ice-cream. Consider the two options outlined in Appendix 3. Recommend which one they should choose. Justify your answer.

Option A: strawberry flavour ice-cream will cost \$1.20 to make it and is sold for \$3. The added value and the profit made by one ice-cream is \$1.75. The total cost for FF to make this ice-cream is \$14000. The total revenue/profit earned for 10 000 ice creams per week is \$16 000. This flavour doesn't need that much output to reach the profits.

Option B: coconut flavour ice cream will cost \$0.50 to make it and is sold for \$1.75. The added value and profit made per ice-cream is \$1.25. The total cost for FF to make this ice-cream is \$11 500. The profit earned for 15 000 ice-creams per week is less than that for strawberry flavour. More ice-creams have to be manufactured to reach profits.

Recommendation: I recommend Option A. Even though the cost for making that ice-cream is more than Option B, there will be more profits earned for fewer output than that of option B. This profit that is earned is a sign of success to the business and is a source of finance too.

[12]

Examiner comment – middle

This candidate makes use of the figures in Appendix 3 but only carries out one calculation, that of working out the profit for strawberry ice-cream which earns one Level 2 mark. Therefore, the discussion and recommendation is limited. The consideration is clearly in the context of the two flavours of ice-cream and so application marks were achieved. To raise the marks still further the candidate could have made more use of the financial information provided to come to a justified recommendation using the results of the calculations.

Marks awarded for Knowledge, Analysis and Evaluation = 4 out of 10

Marks awarded for Application = 2 out of 2

Total mark awarded = 6 out of 12

Example candidate response – low

- (b) Samah and Selina want to start selling a new flavour of ice-cream. Consider the two options outlined in Appendix 3. Recommend which one they should choose. Justify your answer.

Option A: The cost for one is higher but the profit on it is higher too. The sales are 5000 units lower but the profit is \$0.75 per unit ~~per~~ more than other option

Option B: prices are lower but the profit is lower too. ~~The~~ The cost might attract more customers and they sell 5000 units more than the other one every week but they make much less profit

Recommendation: I would recommend FF to go for option 'A' as it might be costly but at the end you make a higher profit than the other option.

[12]

Examiner comment – low

This candidate makes very limited use of the figures in Appendix 3 and does not carry out any calculations of profit or the break-even output. Therefore, the discussion and recommendation is limited to Level 1 credit as the statements are comparisons of the figures provided in Appendix 3 but no calculations are attempted. Application marks could have been achieved if the discussion had been in the context of the two new flavours of ice-cream. To raise the marks still further the candidate could have made more use of the financial information provided to come to a justified recommendation.

Marks awarded for Knowledge, Analysis and Evaluation = 3 out of 10

Marks awarded for Application = 0 out of 2

Total mark awarded = 3 out of 12

Question 4(a)

- 4 (a) The Government of country X has recently increased interest rates. Identify and explain **two** ways an increase in interest rates might affect FF.

Way 1:

Explanation:

Way 2:

Explanation:

[8]

Mark scheme

4 (a) The Government of country X has recently increased interest rates. Identify and explain two ways an increase in interest rates might affect FF.

[8]

Knowledge [2 × 1] – award one mark for each relevant way

Analysis [2 × 1] – award one mark for a relevant explanation for each way

Application [2 × 2] – award two application marks for each way

Award one mark for each relevant way (maximum of two), such as:

- Increased cost of new bank loan
- Increased cost of overdraft
- Higher mortgage costs for customers reduce spending
- Lower sales as consumers reduce spending
- Lower profits as costs higher
- Higher interest rates attract more savings from customer or company

Award a maximum of three additional marks – **2 of which must be applied to this context** – for **each** explanation.

Indicative response:

Increased cost of a new bank loan [k] will raise costs as interest rates paid on the loan will be higher than before (an). This may reduce profit for FF if it cannot increase the price of its ice cream [ap]. However, because the ice cream is high quality may be able to increase its prices without losing many sales (ap).

Possible application marks: produces ice cream; high quality ingredients; expensive ingredients; ice cream sold for a high price; borrow finance easily from the bank; sales increased for four years; new product financed by bank loan; cost / revenue data from Appendix 3.

There may be other examples in context which have not been included here.

Example candidate response – high

- 4 (a) The Government of country X has recently increased interest rates. Identify and explain two ways an increase in interest rates might affect FF.

Way 1: ...Bank loans...more...expensive...

Explanation: The cost (interest) of taking out a loan will now be higher so FF may have a harder time paying it back especially if the new flavour does not increase revenue significantly or fails all-together. Long-term costs of the partnership would increase and this would reduce net profit earned.

Way 2: ...less...disposable...income...for...customers...

Explanation: Consumers will be more inclined to save rather than borrow or spend. As such, they may spend a smaller proportion of their income on quality ice cream, preferring cheaper brands which would not only decrease sales for FF, but also their market share to competitors.

[8]

Examiner comment – high

This question required candidates to identify two ways that an increase in interest rates might affect the business in the context. The candidate clearly identifies that bank loans will become more expensive which raises costs and increases the risks to the partnership if the new flavour of ice-cream does not raise sales sufficiently. This is a well applied and well explained effect. The second way is not identified under Way 2 but is explained further down the answer. The decrease in sales is the way the business is affected and this is as a result of increased savings. The marks could have been raised to full marks if the explanation of the second way had been more applied to this ice-cream business.

Marks awarded for Knowledge and Analysis = 4 out of 4

Marks awarded for Application = 3 out of 4

Total mark awarded = 7 out of 8

Example candidate response – middle

- 4 (a) The Government of country X has recently increased interest rates. Identify and explain two ways an increase in interest rates might affect FF.

Way 1: FF may borrow less from bank.

Explanation: Because the interest rates rise, so FF may not want to borrow too much because of high interest. It may cause them reduce advertising and wages even force them to change a cheaper supplier.

Way 2: FF may save more profit.

Explanation: Because of the high interest rates, FF may want to save more into bank. So they may not have enough money to improve or develop a new product or buy more capital for producing to improve our profit.

[8]

Examiner comment – middle

The candidate gives two ways the business will be affected by the increase in interest rates, they are that it might reduce borrowing from the bank and it might save profit rather than reinvest it in the business. Both of these ways are explained but to raise the marks to full marks the answer should have been in the context of this business. This could be achieved by making clearer reference to the development of a new flavour of ice-cream by using a bank loan or the expensive nature of the product experiencing falling sales due to less income available to spend on luxuries after the increased cost of bank repayments for customers.

Marks awarded for Knowledge and Analysis = 4 out of 4

Marks awarded for Application = 0 out of 4

Total mark awarded = 4 out of 8

Example candidate response – low

- 4 (a) The Government of country X has recently increased interest rates. Identify and explain two ways an increase in interest rates might affect FF.

Way 1: The company has to bear more costs

Explanation: As the interest rate rises, then the company would have to pay more compared to how much they ~~were~~ were paying before.

Way 2: would not take no more loans because it's expensive.

Explanation: FF would not take any loans because the government has increased the interest rates so the company would not be willing to pay more interest on the loan as it would be expensive.

[8]

Examiner comment – low

The candidate identifies two ways a business might be affected by higher interest rates, for example higher costs (although the answer never actually says which costs are higher) and less likely to take out more loans. The explanation of the second way is really a repetition of the earlier point and would need to actually explain the point to gain further credit. The answer is generic and could apply to any business. To raise the marks the answer would need to be applied to the ice-cream business in the context and include further explanation of how these two ways would affect the business.

Marks awarded for Knowledge and Analysis = 2 out of 4

Marks awarded for Application = 0 out of 4

Total mark awarded = 2 out of 8

Question 4(b)

- (b) A multinational food company is producing and selling its products in country X (see Appendix 1). Consider the advantages and disadvantages to FF of this multinational operating in country X. Do you think it is beneficial to FF? Justify your answer.

Advantages to FF:

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Disadvantages to FF:

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Conclusion:

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[12]

Mark scheme

- (b) A multinational food company is producing and selling its products in country X (see Appendix 1). Consider the advantages and disadvantages to FF of this multinational operating in country X. Do you think it is beneficial to FF? Justify your answer [12]

Relevant points might include:

Advantages	Disadvantages
<ul style="list-style-type: none"> • Improved infrastructure / roads • Jobs created – increase incomes – increased sales • Low competition as targeting different market segment 	<ul style="list-style-type: none"> • Increased wages – due to increased demand • Influence government and economy • May only be unskilled workers so not much effect on spending • Increased competition – local businesses may not be able to compete

Knowledge / Analysis / Evaluation – award up to 10 marks using the levels-based mark scheme below.

	Knowledge / Analysis / Evaluation
Level 3	<p>At least 2 × Level 2 +</p> <p>9–10 marks for well justified recommendation as to whether the multinational will be beneficial to FF.</p> <p>7–8 marks for some limited judgement shown in recommendation as to whether the multinational will be beneficial to FF.</p>
Level 2	<p>4–6 marks</p> <p>Detailed discussion of advantages and / or disadvantages of the multinational company to FF.</p>
Level 1	<p>1–3 marks</p> <p>Outline of advantages and / or disadvantages of the multinational company to FF.</p>

Mark scheme, continued

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. new jobs will be created in country X and so people will have higher incomes to spend.

Level 2 – one L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. new jobs will be created and this should increase GDP in country X. The increase in GDP will increase incomes for people who live in country X and they may have more disposable income to buy luxury products like expensive ice cream leading to increased sales for FF. (4 marks for L2 answer + 1 application mark for mentioning luxury products such as expensive ice cream).

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a conclusion which justifies whether the multinational company will be beneficial to FF.

Award up to 2 additional marks for relevant application.

Possible application marks: partnership; business 5 years old; produces ice cream; high quality ingredients; expensive ingredients; ice cream sold for a high price; production workers; increasing economic growth leading to economic development; government has built new roads; cost / revenue data from Appendix 3; increased wages; job security.

There may be other examples in context which have not been included here.

Example candidate response – high

- (b) A multinational food company is producing and selling its products in country X (see Appendix 1). Consider the advantages and disadvantages to FF of this multinational operating in country X. Do you think it is beneficial to FF? Justify your answer.

Advantages to FF: The government improved roads (infrastructure) and this should reduce FF's transportation costs, which would lower their average costs. The increased competition would might cause external economies of scale which would also reduce costs. (More suppliers may locate there and offer cheaper prices for ingredients) The two businesses may partake in joint ventures and reduce market research and other costs as well.

Disadvantages to FF: The company caused increases in wages and this increases FF's variable costs. The firm may have to make more employees redundant and the redundancy costs will also add to their total costs. The food company might gain a large market share for ice cream by using competitive pricing and FF's high price products may lose sales significantly. The large company can easily afford market research and might gain the dominant share in the market with

Conclusion: FF's average costs are likely to decrease slightly but it is likely that the multinational will diminish their sales significantly. Overall, it is likely that FF will suffer more than it will gain and Sarah and Selina may end up needing to 'go public' losing their great control over their business and might may even get taken over by the food company in later years.

[12]

Examiner comment – high

This question requires candidates to consider whether or not the overall effects of a multinational opening up in competition with the business in the context will be beneficial. The candidate explains the advantages and disadvantages of this in some detail and in context: the candidate has recognised that there will be new roads built but wages will increase due to the influence of the multinational and that the two businesses sell ice-cream targeted at different market segments. The answer gains Level 2 credit and both application marks. The recommendation briefly weighs up the benefits of possibly lower costs against lower sales and then makes a decision that the business will be worse off after the multinational opens in country X. To gain full marks the candidate could have explained in more detail why the overall effect might be worse for the business.

Marks awarded for Knowledge, Analysis and Evaluation = 8 out of 10

Marks awarded for Application = 2 out of 2

Total mark awarded = 10 out of 12

Example candidate response – middle

- (b) A multinational food company is producing and selling its products in country X (see Appendix 1). Consider the advantages and disadvantages to FF of this multinational operating in country X. Do you think it is beneficial to FF? Justify your answer.

Advantages to FF: More people have money to spend with the higher increasing economic growth and less unemployed. People in country X would have more income and FF target high income people of well, so FF can increase number of sales. As the demand is falling last 6 months, this opportunity might be great to FF to increase demands. Maybe if FF is more well known in the future, FF might join the multinational food to sell and expand business to other countries also.

Disadvantages to FF: FF needs to pay the higher wages to employees and the government is now focusing on building new roads to improve for the multinational food. This can increase number of the competitors to FF business.

Conclusion: More benefit I think, because the higher wages that FF needs to pay to employees do not affect FF much because as the economic growth increases more people would buy the products of its cream or customers have higher income which is FF target.

FF might be able to join multinational food in the future to expand the business to other countries which is more successful.

[12]

Examiner comment – middle

The advantage is explained in the context of this business as it recognises that there will be increased economic growth as a result of the multinational and that the business targets high income customers leading to increased sales for the business. Therefore, Level 2 is awarded as well as an application mark for the advantage. The disadvantage is in context as it recognises that wages will increase due to the multinational. The disadvantages are a series of statements and if they had been developed, such as higher wages would have increased the costs to the business leading to lower profit or higher prices, which might reduce sales, then Level 2 could have been awarded for the disadvantages. There is only one Level 2 awarded for the consideration of the advantages and disadvantages, therefore Level 3 cannot be awarded for the recommendation as insufficient analysis has been included before the recommendation is made. However, a further Level 2 is awarded for a justified conclusion in context.

Marks awarded for Knowledge, Analysis and Evaluation = 5 out of 10

Marks awarded for Application = 2 out of 2

Total mark awarded = 7 out of 12

Example candidate response – low

- (b) A multinational food company is producing and selling its products in country X (see Appendix 1). Consider the advantages and disadvantages to FF of this multinational operating in country X. Do you think it is beneficial to FF? Justify your answer.

Advantages to FF: We know that the ice-cream from multinational company is not high quality, although the prices below those of FF, some people who want high quality goods still will buy ice-cream from FF. Moreover, compare with low quality ice-cream, those high-quality ice-cream from FF will boost their brand image to improve sales.

Disadvantages to FF: Because the prices of multinational food company ice-cream are lower than those of FF, some people who want to save money may tend to buy cheaper one. Moreover, new company also need workers, so when FF need more worker, the labour supply may not enough.

Conclusion: Although the new company may improve FF's brand image (reason is in above), it still will reduce the sales of FF and reduce the market share of FF.

Therefore, I believe that multinational operating in country X benefited a little, but it also hurt a lot of FF such as less market share and less sales.

[12]

Examiner comment – low

The advantage outlined is not clear as to why this would benefit the business and improve sales. The disadvantages of increased competition and shortage of labour are stated and gain Level 1 credit. There is some application to this context as the answer recognises that the prices of the multinational's products are lower than those of FF, because FF produces a higher quality product. A conclusion should weigh up the earlier points to make the final judgement and this requires that the earlier points are explained and not just listed for this to be carried out effectively. For higher marks this answer should include an explanation of the points as to why they are advantages and disadvantages, apply more of the points to this business in the context and include a final evaluation that weighs up the earlier advantages and disadvantages before coming to a recommendation.

Marks awarded for Knowledge, Analysis and Evaluation = 3 out of 10

Marks awarded for Application = 1 out of 2

Total mark awarded = 4 out of 12

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