

- 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]

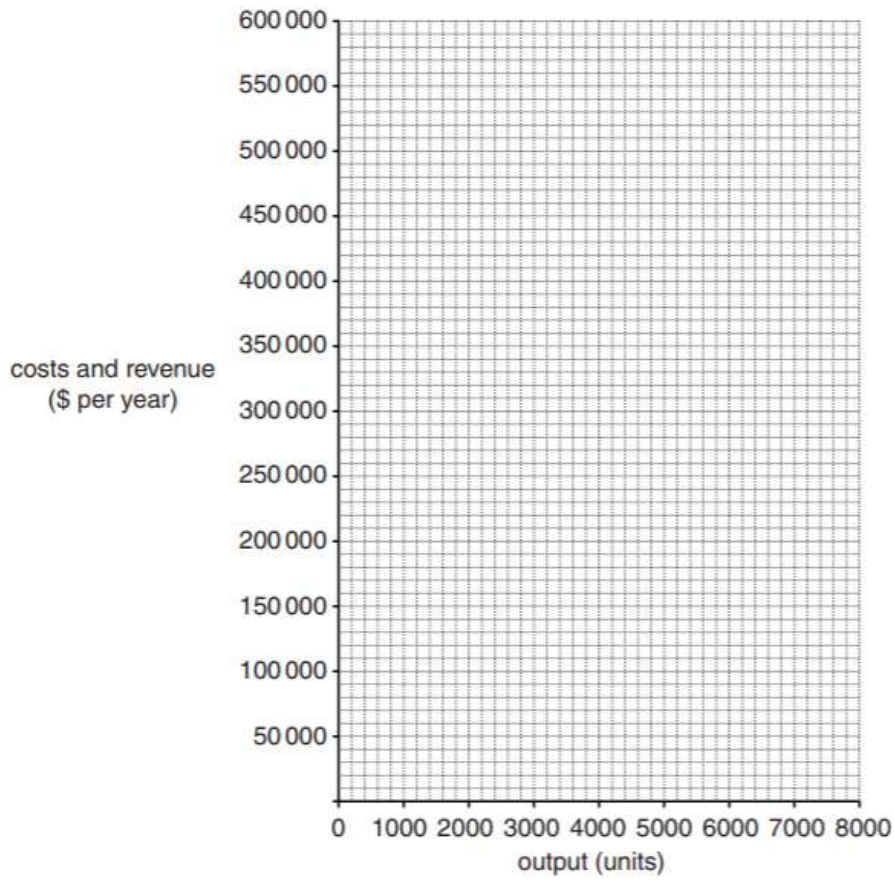
- (b) Identify **two** ways in which break-even analysis might be helpful to PJK.

Way 1: .....  
.....  
Way 2: .....  
..... [2]

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

[4]

Figure 1



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

Advantage 1: .....

Explanation: .....

Advantage 2: .....

Explanation: .....

[6]



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

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

..... [4]

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

Advantage 1: .....

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Explanation: .....

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Advantage 2 .....

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Explanation: .....

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..... [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.

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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: .....  
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Way 2: .....  
..... [2]

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

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..... [2]

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

Method 1: .....

Explanation: .....

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Method 2: .....

Explanation: .....

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..... [4]

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

Disadvantage 1: .....

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Explanation: .....

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Disadvantage 2: .....

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Explanation: .....

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..... [6]



**1** Cheung owns a small retail shop in the city centre selling fashion clothing for children. As it is a competitive market, Cheung knows market research is important. Cheung is worried about the effect of an increase in shop rent on his costs. Cheung said: 'I will have to pay this higher rent as it is a good location. I need to increase revenue or reduce other costs.' Cheung buys all his supplies from a wholesaler located in a nearby town. He is thinking of buying directly from a clothing manufacturer in another country.

**(a)** What is meant by 'market research'?

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..... [2]

**(b)** Identify what will happen to each of the following when Cheung's shop rent increases.

Variable cost: .....  
.....  
Fixed cost: .....  
..... [2]

**(c)** Identify and explain **two** possible reasons why Cheung thinks the shop is in a good location.

Reason 1: .....  
.....  
Explanation: .....  
.....  
Reason 2: .....  
.....  
Explanation: .....  
..... [4]



(d) Identify and explain **two** ways Cheung could increase revenue.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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[6]

(e) Do you think Cheung should change his supplier? Justify your answer.

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[6]

3 Five years ago Manisha started making cakes from her home. The cakes are for celebrations, such as weddings and birthdays. Now she has a small shop and 3 employees. Product quality is important to her business. Manisha said: 'I have benefited from the economic boom but I did not expect demand to increase by 500% each year. Somehow I have managed to cope with higher interest rates and all the challenges of being a sole trader. The business is profitable at last but I have to work every day.' A friend has offered to become Manisha's business partner.

(a) What is meant by an 'economic boom'?

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[2]

(b) Identify **two** factors which might affect demand for Manisha's products.

Factor 1: .....

Factor 2: .....

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[2]

(c) Identify and explain **two** ways higher interest rates might affect Manisha's business.

Way 1: .....

Explanation: .....

Way 2: .....

Explanation: .....

[4]

(d) Identify and explain **two** reasons why product quality might be important to Manisha's business.

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

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[6]

(e) Do you think Manisha should have a business partner? Justify your answer.

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[6]

4 Steppa is a shoe manufacturer in the private sector. Steppa has 200 employees who all receive a high hourly wage rate. The Human Resources Director said: 'We use a democratic leadership style. Employees are an important stakeholder group. Happy workers are good for business. Revenue increased by 10% last year.' The director cannot understand why a high number of workers leave the business each year. She is looking at other non-financial methods to motivate employees.

(a) What is meant by a 'stakeholder group'?

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[2]

(b) What is meant by 'private sector'?

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[2]

(c) Identify and explain **two** effects on Steppa of a high number of workers leaving the business each year.

Effect 1: .....

Explanation: .....

Effect 2: .....

Explanation: .....

[4]

(d) Identify and explain **two** possible advantages for Steppa of using a democratic leadership style.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

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[6]

(e) Explain **two** methods of non-financial reward that Steppa might use to increase employee motivation. Recommend which method Steppa should use. Justify your answer.

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[6]

Page 2	Mark Scheme	Syllabus	Paper
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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 × 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 × 1] – award 1 mark for identification of each relevant advantage [max 2]  
 Application [2 × 1] – award 1 mark if relevant reference made to this business  
 Analysis [2 × 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

<b>Page 3</b>	<b>Mark Scheme</b>	<b>Syllabus</b>	<b>Paper</b>
	<b>Cambridge IGCSE – May/June 2015</b>	<b>0450</b>	<b>12</b>

**(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

**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

**(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



- (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

- 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]

**(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

- (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

Question	Answer	Marks	Guidance
1(a)	<p><b>What is meant by 'market research'?</b></p> <p>Clear understanding [2]: e.g.</p> <ul style="list-style-type: none"> <li>• Process of finding out what consumers want or need [1] before a product is made [1]</li> <li>• Process of finding out what consumers want or need [1] depending on age group, income and location [1]</li> <li>• Process of gathering (primary and secondary) data [1] on the buying habits and attitudes of potential customers [1]</li> <li>• Process of gathering data about customers, competitors and market trends [2]</li> </ul> <p>Some understanding [1]: e.g. find out what customers want, find out about competition</p>	2	<b>Do not award</b> examples of primary research or secondary research.
1(b)	<p><b>Identify what will happen to each of the following when Cheung's shop rent increases.</b></p> <p>Application [2 × 1]: award 1 mark for each correct answer.</p> <p>(i) <b>Variable cost:</b> No change / same (ii) <b>Fixed cost:</b> Increase</p>	2	<b>Do not award</b> 'fixed costs will change' as this is too vague.

Question	Answer	Marks	Guidance
1(c)	<p><b>Identify and explain two possible reasons why Cheung thinks the shop is in a good location.</b></p> <p>Knowledge [2 × 1]: award 1 mark for each way identified</p> <p>Application [2 × 1]: award 1 mark for each explanation in context</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Near potential target market OR customers [k] so need to be somewhere where there are lots of children [app]</li> <li>• Busy area OR high footfall [k] as many people likely to visit city centre [app]</li> <li>• Good access OR there is parking [k]</li> <li>• Good image of site [k] as sell fashion items [app]</li> <li>• There are utilities or other facilities [k] to reduce other costs [app]</li> <li>• Proximity (far from or near) to competitors [k]</li> <li>• Near to other shops and services [k]</li> <li>• Low transport costs OR already has relationship with supplier [k] as near wholesaler [app]</li> </ul>	4	<p>Application marks may be awarded for appropriate use of the following: city-centre, small, clothing or related words such as t-shirts, fashion, children, competitive market, market research, wholesaler in nearby town, need to increase revenue or reduce other costs, manufacturer in another country, increase in rent.</p> <p><b>Do not award</b> location factors on its own as this does not necessarily explain why this may make it a good location. E.g. transport cost is a factor but it is low transport costs, which makes it a good location.</p> <p><b>Do not award</b> shop as application as it is stated in the question.</p> <p><b>Note:</b> Points such as 'in city centre' or 'competitive market' are too vague to be awarded as knowledge.</p>

Question	Answer	Marks	Guidance
1(d)	<p><b>Identify and explain two ways that Cheung could use to increase revenue.</b></p> <p>Knowledge [2 × 1]: award 1 mark for each way identified</p> <p>Application [2 × 1]: award 1 mark for each relevant reference made to this business</p> <p>Analysis [2 × 1]: award 1 mark for each relevant explanation</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Increase advertising (allow only once) [k] attracting or persuading or encourage new customers [an] to his shop [app]</li> <li>• Sell to different target market [k] so do not sell only to children [app] so able to attract different customer [an]</li> <li>• Increase prices [k] increases amount of revenue per item sold [an]</li> <li>• Lower price or offer price promotions OR discounts [k] acts as incentive to buy more [an]</li> <li>• Offer new OR additional products [k] e.g. different clothing [app] to appeal to a new market segment [an]</li> <li>• Loyalty schemes [k] could encourage existing customers to buy more from him [an]</li> <li>• Use of sales promotions e.g. competitions [k]</li> <li>• Increase quality [k]</li> <li>• Use e-commerce or sell via website [k]</li> </ul>	6	<p>Application marks may be awarded for appropriate use of the following: city-centre, small, shop, clothing or related words such as t-shirts, fashion, children or parents, competitive market, market research, wholesaler, manufacturer in another country.</p> <p><b>Note:</b> this business is a retailer not a manufacturer.</p> <p><b>Do not award</b> the same analysis twice. E.g. persuade OR encourage OR attract are the same analysis points, as is create awareness OR inform. To be awarded, development must be different in each point e.g. attract more existing customers or different types of customer.</p> <p><b>Do not award</b> ways to lower costs as this does not answer the question.</p> <p><b>Do not award</b> free sample as not appropriate for this context.</p>

Question	Answer	Marks	Guidance
1(e)	<p><b>Do you think Cheung should change his supplier? Justify your answer.</b></p> <p>Knowledge [1]: award 1 mark for identification of relevant point(s)</p> <p>Application [1]: award 1 mark for a relevant reference made to this business</p> <p>Analysis [2]: award up to 2 marks for relevant development of point(s)</p> <p>Evaluation [2]: award up to 2 marks for justified decision made as to whether Cheung should change his supplier</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Build relationship with supplier [k] in the nearby town [app]</li> <li>• Wholesaler offers choice OR variety OR feedback [k] which could help increase revenue [app]</li> <li>• Wholesaler breaks bulk [k] helpful for a small shop [app] as do not have to worry about storing additional stock [an] More time OR paperwork [k] if buy from manufacturer overseas [app]</li> <li>• Cheaper to buy direct [k] from overseas manufacturer [app] as do not have to pay anything to third party [an]</li> <li>• Purchasing economies of scale OR buy in larger quantities when buy direct [k] leading to lower average costs [an] of its clothing [app] Quicker access to inventory (stock) [k] from wholesaler [app] so can satisfy any increases in demand [an]</li> <li>• Not able to check quality [k] as manufacturer is based in another country [app]</li> </ul>	6	<p>Application marks may be awarded for appropriate use of the following: wholesaler, city-centre, small, shop, clothing or related words such as t-shirts, fashion, competitive market, market research, increase in rent cost, looking to reduce costs or increase revenue, manufacturer in another country.</p> <p><b>Do not award</b> fabric or materials as application as this suggests it is a manufacturer.</p> <p><b>Note:</b> Can award points that focus on either advantages OR disadvantages of using a wholesaler OR buying inventory from overseas.</p>

Question	Answer	Marks	Guidance
3(a)	<p><b>What is meant by an 'economic boom'?</b></p> <p>Clear understanding [2]: strong rise in level of economic activity OR Period of time when GDP rising rapidly</p> <p>Some understanding [1]: e.g. economy doing well [high GDP] or rise in level of economic activity or GDP rising</p> <p>OR identifies a relevant feature(s) MAX 1 mark, such as:</p> <ul style="list-style-type: none"> <li>• Low OR falling unemployment OR shortage of skilled workers,</li> <li>• Rising inflation</li> <li>• Resource shortages</li> <li>• High levels of disposable income</li> <li>• Increased number of business start ups</li> <li>• High levels of consumer confidence OR demand</li> <li>• High levels of business confidence OR profits</li> </ul>	2	<p><b>Note:</b> For two marks must recognize that GDP increasing and the speed of growth.</p> <p>Maximum of 1 mark for identifying features</p> <p>Answers must refer to the whole economy not a single business or product.</p>
3(b)	<p><b>Identify two factors which might affect demand for Manisha's products.</b></p> <p>Knowledge [2 × 1]: award one mark per factor</p> <p>Points may include changes in any of the following:</p> <ul style="list-style-type: none"> <li>• Price charged by Manisha</li> <li>• Fashion and trends</li> <li>• Consumer tastes and preferences</li> <li>• Stage in economic cycle OR changes in economic factors e.g. interest rates, taxes</li> <li>• Level of consumer income</li> <li>• Actions of competitors e.g. new products or changes in prices</li> <li>• Complementary goods</li> <li>• Increase in population</li> <li>• Level OR effectiveness of advertising</li> <li>• Quality of product</li> </ul>	2	

Question	Answer	Marks	Guidance
3(c)	<p><b>Identify and explain two ways in which higher interest rates might affect Manisha's business.</b></p> <p>Knowledge [2 × 1]: award 1 mark for each way identified</p> <p>Application [2 × 1]: award 1 mark for each explanation in context</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Increase in cost (of borrowing) OR expenses OR cash outflows [k] if used loan to purchase shop [app]</li> <li>• Reduced demand for products OR consumers reduce spending [k] as can afford fewer cakes [app]</li> <li>• Look to sell assets for cash to reduce existing loans [k]</li> <li>• Workers may want a pay rise [k]</li> <li>• May have to increase prices (to remain profitable) [k]</li> <li>• Business less likely to expand OR reduce investment [k] so may struggle to meet the increase in demand [app]</li> </ul>	4	<p>Application marks may be awarded for appropriate use of the following: correct use of numbers e.g. 500%, celebration cakes or related words such as ingredients, shop or bakery, economic boom, 3 employees, increase in demand, sole trader, work every day, profitable (at last), friend (as business partner), product quality is important, started her business 5 years ago.</p>

Question	Answer	Marks	Guidance
3(d)	<p><b>Identify and explain two reasons why product quality might be important to Manisha's business.</b></p> <p>Knowledge [2 - 1]: award one mark for each relevant reason identified [max 2]</p> <p>Application [2 × 1]: award 1 mark for each relevant reference made to this business</p> <p>Analysis [2 × 1]: award 1 mark for each relevant explanation</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Helps maintain customer loyalty [k] which could lead to repeat purchases OR buy again and again OR keep buying [an]</li> <li>• Increase or ensure sales [k] as if cake does not taste right [app] people will find alternatives [an]</li> <li>• Poor quality damages reputation OR brand image [k] so sales may fall [an]</li> <li>• No need to replace faulty products [k] which will help reduce costs [an] of ingredients [app]</li> <li>• Charge/maintain high prices [k] for her cakes [app] which could improve her profit margin [an]</li> <li>• Way to add value [k]</li> <li>• To meet legal requirements OR poor quality could damage people's health [k] as it's a food product [app]</li> <li>• To gain competitive advantage [k]</li> <li>• To reduce complaints [k]</li> </ul>	6	<p>Application marks may be awarded for appropriate use of the following: correct use of numbers e.g. 500%, celebration cakes or related words such as ingredients, shop or bakery, economic boom, 3 employees, increase in demand, sole trader, work every day, profitable (at last), interest rates increased, friend (as business partner), started her business 5 years ago.</p> <p><b>Do not award</b> the same analysis twice. For example persuade OR encourage OR attract are the same analysis points, as is create awareness OR inform. To be awarded development must be different in each point e.g. attract more existing customers or different types of customer.</p>

Question	Answer	Marks	Guidance
3(e)	<p><b>Do you think Manisha should have a business partner? Justify your answer.</b></p> <p>Knowledge [1]: award 1 mark for identification of relevant point(s)</p> <p>Application [1]: award 1 mark for a relevant reference to this business</p> <p>Analysis [2]: award up to 2 marks for relevant development of point(s)</p> <p>Evaluation [2]: award up to 2 marks for a justified decision made as to whether Manisha should have a business partner</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Share workload OR responsibility [k] so does not have to work everyday [app] which could reduce her own stress OR allow her more free time [an]</li> <li>• More ideas OR skills [k] from her friend [app] which could make the business more competitive [an]</li> <li>• Extra source of finance [k] which is important as interest rates high [app] so less need to borrow money [an]</li> <li>• Still has unlimited liability status OR liability for debts [k] as being a sole trader [app] but possible losses can be shared [an]</li> <li>• Loss of some control [k] over type of cakes made [app]</li> <li>• Risk of disagreements OR slow decision making [k] so less responsive to changes in customer demand [an]</li> <li>• Have to share profits made [k]</li> </ul>	6	<p>Application marks may be awarded for appropriate use of the following: correct use of numbers e.g. 500%, celebration cakes or related words such as ingredients, shop or bakery, economic boom, 3 employees, increase in demand, sole trader, work every day, profitable (at last), interest rates increased, friend (as business partner), started her business 5 years ago, product quality is important.</p>

Question	Answer	Marks	Guidance
4(a)	<p><b>What is meant by a 'stakeholder group'?</b></p> <p>Clear understanding [2]: any person or people with a (direct) interest in the (performance) and activities of a business</p> <p>An individual or group which has an interest in a business because they are affected by its activities (and decisions) [2]</p> <p>Some understanding [1]: someone affected by a business</p> <p>Anybody inside or outside the business who cares about its operations [1]</p>	2	<p><b>Do not award</b> examples as this does not explain the term.</p> <p><b>Do not award</b> answers that define individual stakeholders e.g. people interested in business and who want to invest in it (as this defines a shareholder).</p>
4(b)	<p><b>What is meant by 'private sector'?</b></p> <p>Clear understanding [2]: e.g. when business activities are owned by individuals OR groups of individuals</p> <p>Some knowledge [1]: not government controlled or run by individuals/owned by shareholders</p>	2	<p><b>Do not award</b> 'privately owned' as does not explain term OR 'owned by the people' as it is too vague.</p> <p><b>Note:</b> for two marks, must have idea of ownership and by whom.</p>

Question	Answer	Marks	Guidance
4(c)	<p><b>Identify and explain two effects on Steppa of a high number of workers leaving the business each year.</b></p> <p>Knowledge [2 × 1]: award 1 mark for each effect</p> <p>Application [2 × 1]: award 1 mark for each explanation in context</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Additional training costs [k] as new workers need to learn how to make shoes [app]</li> <li>• Additional recruitment costs [k] to maintain its 200 employees [app]</li> <li>• Time taken to recruit new employees [k]</li> <li>• Damage to reputation OR harder to recruit [k]</li> <li>• Reduction in output OR efficiency [k]</li> <li>• Impact on motivation of other workers OR increased workload for remaining workers [k] so not be able to maintain happy workers [app]</li> <li>• New employees can provide new ideas [k]</li> <li>• Hard to maintain quality [k] so revenue does not increase by 10% [app]</li> </ul>	4	<p>Application marks may be awarded for appropriate use of the following: correct use of numbers e.g. 200 employees, shoes or related words, revenue increased by 10%, happy workers good for business, high hourly wage, democratic leadership.</p> <p><b>Note:</b> candidates can be awarded for identifying two separate costs such as training and recruitment, 'Increased costs' can only be awarded if there is no other reference to costs made in their answer.</p> <p>Points can refer to either a positive or negative effect</p> <p><b>Do not award</b> expensive or time consuming unless explained.</p>

Question	Answer	Marks	Guidance
4(d)	<p><b>Identify and explain two possible advantages for Steppa of using a democratic leadership style.</b></p> <p>Knowledge [2 × 1]: award one mark for each relevant advantage identified</p> <p>Application [2 × 1]: award 1 mark for each relevant reference made to this business</p> <p>Analysis [2 × 1]: award 1 mark for each relevant explanation</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>- Improves motivation OR sense of belonging [k] leading to increased output OR productivity [an] as they are happy workers [app]</li> <li>• Help keep worker loyalty [k] could help reduce high number of workers leaving [app] leading to lower recruitment costs [an]</li> <li>• Creates time to do other jobs [k] leading to fewer mistakes [an]</li> <li>• Better decision making possible [k]</li> <li>• More ideas [k]</li> <li>• Better communication OR better feedback [k]</li> <li>• Positive work environment OR better relations between managers and workers [k]</li> <li>• Workers have better understanding of business' objectives [k]</li> </ul>	6	<p>Application marks may be awarded for appropriate use of the following: correct use of numbers e.g. 200 employees, shoes or related words, revenue increased by 10%, happy workers good for business, high hourly wage, private sector.</p> <p><b>Do not award</b> analysis marks for improved motivation OR workers feel important OR works harder as this does not explain the advantage to the business.</p> <p><b>Do not award</b> definitions of democratic leadership</p>

Question	Answer	Marks	Guidance
4(e)	<p><b>Explain two methods of non-financial reward that Steppa might use to increase employee motivation. Recommend which method Steppa should use. Justify your answer.</b></p> <p>Knowledge [1]: award 1 mark for identification of relevant method(s)</p> <p>Application [1]: award 1 mark for a relevant reference to this business</p> <p>Analysis [2]: award up to 2 marks for relevant development of point(s)</p> <p>Evaluation [2]: award up to 2 marks for a justified decision made as to which of the two non-financial methods Steppa should use</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Offer fringe benefits e.g. holidays or discounts [k] on shoes [app]</li> <li>• Job rotation [k] would be more interesting OR not as boring as doing the same thing [an]</li> <li>• Team working [k] could lead to increased output OR increased efficiency [an]</li> <li>• Training [k] so workers feel more valued as they gain more skills [an]</li> <li>• Praise [k] as feel their work has been recognised [an]</li> <li>• Opportunities for promotion [k]</li> <li>• Increased responsibility [k]</li> <li>• Award schemes such as employee of the month [k]</li> <li>• Job enrichment [k]</li> <li>• Job enlargement [k]</li> </ul>	6	<p>Application marks may be awarded for appropriate use of the following: correct use of numbers e.g. 200 employees, shoes or related words, revenue increased by 10%, happy workers good for business, high hourly wage, democratic leadership.</p> <p><b>Do not award</b> answers referring to financial methods such as bonus, share options, pension or pay rises as question does not allow this.</p> <p><b>Do not award</b> change leadership style e.g. democratic</p> <p><b>Do not award</b> 'makes them work harder' as analysis on its own unless explained e.g. 'makes them work harder to earn more money'.</p> <p><b>Note:</b> Maximum of 4 marks if candidates only discuss 1 valid method. Award examples of fringe benefits only once.</p>