Solutions

Marking: **K** = knowledge, **App** = applying it to the business in the case, **An** = analysis (explaining causes and effects step by step), **Ev** = evaluation (a judgement with reasons, for this business). In calculations, **M1** is for the method and **A1** for the answer. Longer answers are marked in levels: the top level needs analysis applied to the business **and** a justified judgement.

Each answer shows the steps, then the **result**.

2.1

- $140 \div 7$
- \$**20**

2.2

- $500\,000 \times 0.02$
- \$**10 000** a year

2.3

- real wages fall
- by about 2%

3.1

- many customers buy cars with a loan, and loans now cost more (K, App)
- customers with mortgages have less money left to spend (An)
- so fewer customers buy new cars, or they choose cheaper models (An)

3.2

Any two, each analysed (2 marks each):

- online and app banking lets the bank close branches and cut costs (K, An)
- customers expect new services, so the bank must invest to keep up with rivals (K, An)
- new online banks compete, so the bank may lose customers (K, An)
- greater risk of cyber attacks needs spending on security (K, An)

3.3

(a) before $60 \times 0.5 = €30$; after $60 \times 0.6 = €36$; increase $6/30 \times 100 =$ **20**%

(b) any two, each analysed (3 marks each):

- shirts cost 20% more for European buyers, so sales may fall, especially if demand is price elastic (K, App, An)
- to keep sales, BrightWear may cut its A$ price, which lowers its profit margin (K, App, An)
- imported cloth and machines become cheaper, which lowers some costs (K, App, An)

Levels: **top** (5–6) two points, each analysed step by step and applied to this business; **middle** (3–4) analysis of one point, or two points with little development; **bottom** (1–2) relevant points, little explanation.

(c) points to include:

- the exchange rate affects every export sale at once: a 20% price rise is large (App)
- but exchange rates move up and down; the rise may be reversed, and rivals in Country A face the same rate (An)
- a 10% rise in the minimum wage is permanent; clothing is labour-intensive, so costs rise a lot (App)
- productivity gains or machines could offset higher wages (An)
- environmental concerns can be met by changing suppliers and getting certified; done well, this becomes a selling point (An)
- if BrightWear ignores them, big European retailers may stop buying altogether (Ev)
- judgement: in the short run the exchange rate hurts most; in the long run the environmental demands are the biggest threat because they decide whether European buyers keep buying at all (Ev)

Levels: **top** (9–12) analysis applied to this business, and a justified judgement that answers the question; **middle** (5–8) some analysis applied to the business; judgement weak or missing; **bottom** (1–4) relevant points, little explanation or application.

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