Solutions

Business answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

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

2.1

- a quantitative factor can be measured in money (rent, wages, transport); a qualitative factor is harder to measure (worker skills, nearness, owner's wishes) (2 for a clear difference; 1 for a partial idea)

2.2

- moving production to another country (2 for a clear definition; 1 for a partial idea)

2.3

- the size of operation at which the average cost per unit is at its lowest (2 for a clear definition; 1 for a partial idea)

3.1

- *[3]* **AO1** 1 — name a factor (rent/wages; transport; nearness to customers or suppliers; grants; worker skills). **AO2** up to 2 — develop it, e.g. locating near customers cuts delivery time and cost
- faster service
- an advantage over distant rivals (2 developed / 1 limited)

3.2

- *[8]* For **each** of two reasons: **AO1** 1 + **AO2** 1 + **AO3** up to 2. Example chains — *lower wages*: labour costs less abroad
- lower cost per unit
- higher profit or lower prices. *Nearer a new market*: producing close to new customers
- lower transport cost and faster supply
- more sales there. Maximum 4 per reason, 8 total

3.3

- *[12]* **AO1** 2 / **AO2** 2 / **AO3** 2 / **AO4** up to 6. **For:** lower wages and costs, nearer new markets, possible grants. **Against:** longer supply lines, language and culture problems, quality and control risks, possible damage to image and home job losses. Judgement: relocation can cut costs sharply, but only if the savings outweigh the added risks and the quality can be maintained — it depends on the size of the wage saving and how well the firm can manage a distant site