1(a) **Define the term *public sector*.**

Indicative content

Responses may include:

AO1 Knowledge and understanding

CLEAR UNDERSTANDING (2 marks)

- organisations accountable to and run/owned/controlled by central or local government (the state) (2)
- the part of the economy composed of both public services and public enterprises; may be supported by examples e.g. police or medical services (2)
- the sector in which goods and services are provided by the state/government (2)

Clear understanding of the term *public sector* is worth 2 marks. This is indicated by 2 ticks ✓✓.

PARTIAL UNDERSTANDING (1 mark)

- businesses which are not controlled by private individuals/not in the private sector (1)

Partial understanding of the term *public sector* is worth 1 mark. This is indicated by 1 tick ✓.

Accept all valid responses.

1(b) **Explain <u>one</u> benefit to a business of having a business plan.**

Indicative content

Responses may include:

AO1 Knowledge and understanding

1 mark for identifying ONE BENEFIT of having a business plan

- provides a clear plan/goal/guidance for the future
- forces critical consideration of business
- encourages market research
- helps obtain finance
- increases motivation
- minimises risk of uncertainty
- helps to measure success of the business against targets

AO2 Application

2 marks for DEVELOPED application/explanation of the benefit given
1 mark for LIMITED application/explanation of the benefit given

- increases chances of success/reduces risk of failure by anticipating problems e.g. financial/supply/staffing
- includes a detailed view of the potential customers, competitors and external environment
- sets objectives and co-ordinates all parts/departments of the business to meet them
- gives investors/banks the confidence that the business can repay the money/make profit
- helps the employees stay focussed on the objectives and see progress

Accept all valid responses

2(a)

Define the term *liquidation*.

Indicative content

Responses may include:

AO1 Knowledge and understanding

CLEAR UNDERSTANDING (2 marks)

- process of selling off assets to repay debts/creditors (2)
- selling assets to settle liabilities (2)
- when a business ceases trading and its assets are sold for cash to pay suppliers and other creditors (2)

Clear understanding of the term *liquidation* is worth 2 marks. This is indicated by 2 ticks ✔ ✔.

PARTIAL UNDERSTANDING (1 mark)

- selling assets (1)
- dissolution of a business (1) **NOTE**: *do not accept bankruptcy.*

Partial understanding of the term *liquidation* is worth 1 mark. This is indicated by 1 tick ✔.

Accept all valid responses.

2(b)

Explain <u>one</u> external source of finance for a business.

Indicative content

Responses may include:

AO1 Knowledge and understanding

1 mark for identifying ONE external source of finance for a business.

- bank loans
- share capital
- debentures
- new partners
- venture capital/private investment
- bank overdrafts
- leasing
- hire purchase
- mortgages
- debt factoring
- trade credit
- micro-finance
- crowd funding
- government grant

2(b)	**AO2 Application** **2 marks for DEVELOPED application/explanation of ONE source of finance.** **1 mark for LIMITED application/explanation of ONE source of finance.** • borrowing money from a bank and paying it back in instalments, including interest, over an agreed period of time • raising money by selling a share of the business to investors who then have voting rights and receive a dividend • a long-term loan with a fixed interest rate where investors do not have voting rights but do receive the interest payment • allowing new partners to buy into the business, providing more money and expertise; will require a share of the profit • investors provide a mix of loan and share capital to a business which has a high risk of failure; want a return of partial ownership and control plus dividend on profits • short term finance allowing a business to borrow up to an agreed limit for as long as it wishes but interest must be paid • renting non-current assets for an agreed period of time, without owning them • buying non-current assets in instalments over an agreed period of time, owning the asset once the final payment is made • long term loans for the purchase of land and buildings, with the land or building used as collateral (security) • selling unpaid invoices to financial institutions to gain immediate cash; there is a fee to be paid for this service • short term finance – interest free loan from suppliers, with agreement to pay for goods/services within agreed time period after receiving invoice • transfer of money from high income earners (individuals/countries) to low-income earners to develop business activities • collecting a small amount of money from a large number of supporters, which may be a donation or a loan • money from government to support business activity which benefits the country – jobs, production, R and D, competitiveness Accept all valid responses.

3(a)	**Define the term *labour productivity*.** **Indicative content** Responses may include: **AO1 Knowledge and understanding** **CLEAR UNDERSTANDING (2 marks)** • the ratio of outputs to labour input during production (2) • output per worker (2) • $= \frac{\text{Total output}}{\text{Number of employees}}$ (2) Clear understanding of the term *labour productivity* is worth 2 marks. This is indicated by 2 ticks ✓✓. **PARTIAL UNDERSTANDING (1 mark)** Partial understanding of the term *labour productivity* is worth 1 mark. This is indicated by 1 tick ✓. • output of labour/workforce (1) • how much employees are able to do/how productive workers are (1) Accept all valid responses.

3(b)	**Explain <u>one</u> way that a business can improve labour productivity.** **Indicative content** Responses may include: **AO1 Knowledge and understanding** **1 mark for identifying ONE WAY that a business can improve labour productivity.** • motivate employees • train employees • employ experienced workers • increase hours worked • change way work is done • invest in equipment and technology **AO2 Application** **2 marks for DEVELOPED application/explanation of ONE way** **1 mark for LIMITED application/explanation of ONE way** • effort and productivity may increase if employees are offered financial or non-financial rewards – they may feel more valued and work harder e.g. piece rate pay • training/experience increases employee output by helping them to gain more skills and learn new and better ways of doing things • working more hours may mean an individual employee could produce more products i.e. increase their own total output • team working, altering the layout of the workplace, implementing employee recommendations on how they could work more effectively could improve the speed of production and productivity • if employees have modern and more efficient machinery, they should be able to have higher output than employees who are using outdated equipment. *(**NOTE:** suggesting replacing employees with machines to improve business productivity is not answering the question)* Accept all valid responses.

4	**Analyse <u>one</u> benefit to a business of low labour turnover.** *Note: no marks can be awarded if a relevant benefit is not given* **Indicative content** Responses may include: **AO1 Knowledge and understanding** **1 mark for identifying ONE BENEFIT to a business of low labour turnover** • retain experienced, trained and skilled employees • motivated/loyal employees • lower costs • HR team focussed on current employees not recruitment • achievement of objectives • uninterrupted production process/good productivity • increased stability/reputation of business

4	**AO2 Application** **2 marks for a DEVELOPED application/explanation of ONE benefit to a business of low labour turnover** **1 mark for LIMITED application/explanation of ONE benefit to a business of low labour turnover** • retain employees so skills are kept within the business • assurance of job security to current and prospective employees • current employees know the business well as have been there a long time • less money and time is spent on the recruitment, selection and training process for new employees • understanding of objectives may have increased over time • current employees are satisfied/better motivated and developed • no delays created by missing employees • employees are happy and praise the business to outsiders **AO3 Analysis** **2 marks for DEVELOPED analysis of ONE benefit to a business of low labour turnover** **1 mark for LIMITED analysis of ONE benefit to a business of low labour turnover** • employees are specialised and can work with few errors so less waste and good quality • encourages loyalty and hard work and assists with recruitment so saving money • employees know what they are doing and have high output/can train others with on-the-job training • reduced opportunity cost so more finance is available to use elsewhere in the business • long-serving employees are more likely to have commitment to working towards and achieving the objectives • can attract skilful labour to the business so improving productivity • better customer satisfaction and loyalty increases sales and revenue Accept all valid responses.

6(a)	**Analyse <u>two</u> benefits to a business of using a Boston Matrix.** **Indicative content** Responses may include: **AO1 Knowledge and understanding** **1 mark for identifying ONE benefit (K)** • allows the business to analyse and assess the range of different products currently produced by a business • can see and review the allocation of resources between different products • can provide important information about the strengths/weaknesses of particular products • allows a business to measure how each product contributes to total business performance • could attract additional investment • compare their products to those of competitors • make decisions about the products in the portfolio • business planning for new product development • **AO2 Application** **1 mark for application of ONE benefit (APP)** • identifies question marks, stars, cash cows and dogs • analyses the market share and market growth of a business' products • identifies products which are at different stages of their product lifecycle • identify changes needed to operations and marketing (e.g. pricing) of current products, resources, expenditure, product development, strategies • lack of question marks/stars in the Boston Matrix suggests new product needed

6(a)	**AO3 Analysis** **up to 2 marks for analysis of each benefit – 2 marks for DEVELOPED analysis of each benefit (L2 AN) – 1 mark for LIMITED analysis of each benefit (L1 AN)** Aspects of the marketing mix may be applied to product types in the Boston Matrix e.g. • effective promotion of question marks to increase market share within the market – may need market research and a new promotional mix • decide pricing strategies to increase revenue, e.g. skimming/penetration/competitive, depending on the market • apply extension strategies for cash cows to maintain revenue and provide reliable funding to support other products • whether to remove a product (dog) from the portfolio or adjust the marketing mix – may depend on demand in the market • may need to carry out R&D which will need to be financed Accept all valid responses.

6(b)	**'Packaging is the most effective promotion method for a fast-food business.'** **Evaluate this view.** **Indicative content** ***NOTE****: the question is about promotion, not the other aspects of the marketing mix. Responses which discuss price, place and product without linking this to promotion are not answering the question and should not be rewarded.* Responses may include: **AO1 Knowledge and understanding** **2 marks for DEVELOPED knowledge and understanding (L2 K)** **1 mark for LIMITED knowledge and understanding (L1 K)** • role of packaging in promotion – information, colour, logo, competitions • advertising promotion • sales promotion • direct promotion • digital promotion • branding **AO2 Application** **2 marks for DEVELOPED application (L2 APP)** **1 mark for LIMITED application (L1 APP)** • use of promotion by a fast-food business e.g. McDonalds (golden arches on red background), Pizza Hut, Domino's, Burger King, Yo Sushi. • Taste, restaurants, menu, ingredients, types of fast food e.g. burgers/pizzas

6(b)	**AO3 Analysis** **2 marks for DEVELOPED analysis (L2 AN)** **1 mark for LIMITED analysis (L1 AN)** Benefits of the use of packaging as a means of promotion – • easily seen by many people, whether eating the food or not • a well-known business can reach a large number of potential consumers when packaging is carried around a busy area • a logo is easy to include on most types of food packaging e.g. trays, bags, cups • colours can be used to make the promotion eye-catching • there is no need for explanation of the business on the packaging as customers recognise the logo and/or colours • packaging is used anyway to carry and protect the food, so it is relatively cheap to use it for promotion Drawbacks of the use of packaging as a means of promotion – • packaging promotion may be ignored as it is the contents that are important to the customer • some fast-food businesses have their reputation damaged by customers who dispose of the packaging irresponsibly • plain packaging is cheaper to produce/buy than promotional packaging so increases costs • some customers eat the food and dispose of the packaging without anyone else seeing it • target market may include children who are not influenced by the packaging

6(b)

AO4 Evaluation
Up to 6 marks for EVALUATION – USE THE FOLLOWING TABLE:

Developed/Supported judgement in context	L3 EVAL	6 marks
Developed/Reasonable evaluative comments in context	L3 EVAL	5 marks
Developed/Supported judgement without context	L2 EVAL	4 marks
Developed/Reasonable evaluative comments without context	L2 EVAL	3 marks
Limited supported judgement	L1 EVAL	2 marks
An attempt to balance the arguments/Weak attempt at evaluative comments	L1 EVAL	1 mark

A judgement/conclusion is made as to whether packaging is the most effective promotion method for a fast-food business. Such judgements/conclusions may be made at any point in the essay, not only in a concluding section.

- how effective is packaging for promoting this particular type of business?
- is promotion on packaging more effective for large businesses which already have an established brand?
- how effective are other types of promotion for a fast-food business?
- advertising using television, print media, social media and the business' own website are all effective at constantly reminding customers of existing and new types of food
- sales promotions/discounts/meal deals/toys/collectibles are effective as customers are often young and on limited incomes
- direct promotion to individuals is unlikely in this industry as the product is aimed at the mass-market, although leaflet drops are used
- digital promotion via websites and social media allows customers to interact with the business, place orders, give feedback, which can then promote the business to other customers, therefore is very effective given the target market
- older customers may still want to buy the food, for themselves or younger relatives, but are less likely to use digital media
- branding is very important as the fast-food market is competitive, but to maintain that brand image and a high market share a lot of different promotion methods are used together

6(b)

- all other types of promotion can be more expensive than promotion on the packaging, but large fast-food business can afford this
- judgement made as to which promotion method is likely to be the most effective in this context
- it is likely that all types of promotion will be carried out at some time and in some circumstances due to the nature of the market and the large budget available to many businesses in it.

Accept all valid responses.

A-Level Business: **w25 12**

1(a)

Define the term *triple bottom line.*

Indicative content

Responses may include:

AO1 Knowledge and understanding

CLEAR UNDERSTANDING (2 marks)

- Triple bottom line refers to three factors 1 – economic/profit 2 – social/people 3 – environment/planet **(2 marks)**

Clear understanding of the term (or similar) is to be awarded 2 marks. This is indicated by 2 ticks

PARTIAL UNDERSTANDING (1 mark)

- Refer to one or two of the 3 factors/social welfare as a business objective/there are 3 factors affecting business operations (without explanation)/a business not just concerned with profit (**1 mark)**

A partial understanding of the term (or similar) is to be awarded 1 mark. This is indicated by 1 tick

Accept all valid responses.

1(b)	**Explain <u>one</u> advantage to a business of being a social enterprise.** **NOTE:** ***Answers to this question that explain what a social enterprise does and the advantages that social enterprises may give to society are NOT acceptable.*** **Indicative content** Responses may include: **AO1 Knowledge and understanding – 1 mark for identifying ONE advantage to a business of being a social enterprise – put tick in body of script.** • Provides opportunities for growth/expansion • Has good reputation/strong public image/USP • Attracts customers • Attractive to prospective employees • Employees likely more productive and motivated • Attractive to government – gains support – grants • Attractive to investors **AO2 Application – 2 marks for DEVELOPED explanation of ONE advantage – put ticks in body of script** **– 1 mark for LIMITED explanation of an advantage – put tick in body of script.** • Profits can be reinvested into growth rather than given to owners/shareholders • Perceived as being ethical – product/services in greater demand • Customers who associate and support the distinctive values of social enterprise • Employees easier to recruit – lower recruitment costs. • Employees share the values and aspirations of a social enterprise/high level of satisfaction • Employees easier to retain – lower turnover of staff. • Government support/grants more available, e.g. social enterprises may offer employment opportunities to disabled • Ethically minded investors share values of social enterprise – access to greater funds Accept all valid responses.

4(a) **Using the data in Table 1.2, calculate the monthly revenue from the sales of the classic pie after the price increase.**

		Mark
Correct new sales revenue $ sign not required	3500 × \$3.60 = \$12 600	**4**
New quantity of sales	5000 – 30% = 5000 – 1500 = 3500	**3**
% change in QD	20% × –1.5 = (–)30%	**2**
Percentage change in price OR PED equation	0.60/3.00 × 100 = (+) 20% Percentage change in Quantity demanded / Percentage change in price	**1**
No creditable response		**0**

4(b) **Evaluate the usefulness to PPP of elasticity measures when deciding on the marketing mix for the new cheese pies in export markets.**

Level	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 2 marks	AO4 Evaluation 6 marks
3				**5–6 marks** **Developed evaluation in context** • A developed judgement/conclusion is made in the business context. • Developed evaluative comments which balance some key arguments in the business context.
2	**2 marks** **Developed knowledge** of relevant key term(s) and/or factor(s) is used to answer the question.	**2 marks** **Developed application** of relevant point(s) to the business context.	**2 marks** **Developed analysis** that identifies connections between causes, impacts and/or consequences.	**3–4 marks** **Developed evaluation** • A developed judgement/conclusion is made. • Developed evaluative comments which balance some key arguments.
1	**1 mark** **Limited knowledge** of relevant key term(s) and/or factor(s) is used to answer the question.	**1 mark** **Limited application** of relevant point(s) to the business context.	**1 mark** **Limited analysis** that identifies connections between causes, impacts and/or consequences.	**1–2 marks** **Limited evaluation** • A judgement/conclusion is made with limited supporting comment/evidence. • An attempt is made to balance the arguments.
0	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.

4(b)	Responses may include: **AO1 Knowledge and understanding** *Limited knowledge* K *will be demonstrated through knowledge of the concept of elasticity of demand <u>or</u> knowledge or marketing strategy.* *Developed knowledge* K + K *will be demonstrated through knowledge of the concept of elasticity of demand <u>and</u> knowledge of marketing strategy.* **Knowledge of elasticity of demand** Understanding of different elasticity concepts: • promotional elasticity measures responsiveness of demand to changes in promotional spending • price elasticity measures responsiveness of demand to a change in price • cross price elasticity measures the responsiveness of demand to a change in price of another product • income elasticity measures the responsiveness of demand to a change in income. • Understanding of inelastic - not responsive and elastic - responsive to change in price / promotion / income. **Knowledge of marketing strategy** • Marketing strategy includes market research and marketing mix to achieve marketing objectives within a budget. • Marketing mix consists of price, place, promotion and product

4(b)	**AO2 Application** Do not reward APP for quoting elasticities, need to show understanding of the figures. *Limited application,* APP *applies knowledge to PPP once.* *Developed application,* APP + APP *applies knowledge to PPP twice.* • Estimated PED for classic pies is –1.5, which is price elastic, as confirmed by the calculation in 3a, the 20% increase in price would lead to a 30% decrease in demand. • Estimated PED for premium pies is –0.4, which is price inelastic. The 25% increase in price only led to a 10% decrease in demand • OFR for PED calculations • YED for classic pies is –1.2 (inferior good) and for premium pies +1.5 (normal/luxury good) • Monthly sales revenue following price increases would decrease (by $2400) for classic pies but increase (by $3000) for premium pies. • Market research data may suggest whether the demand for the proposed new cheese pie will be price elastic or price inelastic in other countries in the region. • As real incomes are falling in other countries in the region, cheese pies may be more successful if seen as a 'budget' product.

4(b)	**AO2 Analysis** *Limited analysis* AN *– candidate shows one link in the chain of analysis.* *Developed analysis* L2 AN *– candidate shows two or more links in the chain of analysis.* • Knowledge of PED is useful to PPP in making decisions about pricing. For example, elastic PED would indicate that an increase in price would decrease revenu AN and therefore probably decrease pro L2 AN . • Decreasing price, such as using a launch penetration price will increase quantity of cheese pies demanded and therefore increase revenue/encourage more customers to try the new produ AN overall leading to a successful launch and loyal customers increasing profi L2 AN . • As real incomes are falling, launching cheese pies as a 'budget' item should lead to higher sales due to negative YED. AN **AO3 Evaluation** *Limited evaluation* EVAL *– limited supported judgement and/or a weak attempt at evaluative comment.* *Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.* *Developed evaluation in contex* L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.* • In a marketing strategy, PPP will also consider other factors e.g. promotional elasticity of demand and local tastes in different countries in the region. • As this is a new pie product being launched, existing elasticity data for other products may not be as useful • To what extent may a pan global strategy be suitable in this case? • A judgement about the usefulness of elasticity to marketing mix decisions. • A judgement about the most important factors influencing marketing strategy decisions. • A judgement about the limitations of elasticity calculations. • Measurement of elasticity is difficult and likely to be inaccurate due to large range of factors that will affect outcomes, particularly competitor decisions. Other things don't remain equal in markets. • Factors that the judgement could depend on including the degree of competitive rivalry in the market • Other elements of marketing strategy are important e.g. integrated marketing mix to ensure consistency in message communicated to potential customers and therefore attract sales. Accept all valid responses.

3(a)

Using the data in Table 1.2, calculate the payback of the country C location.

Responses may include

Payback is in the fifth year (1)

Year	Net cashflow ($m)	Cumulative Cashflow
0	(10)	(10)
1	0.5	(9.5)
2	1.5	(8)
3	3	(5)
4	4	(1)
5	4	3

Payback is 4 years 3 months OR 4.25 years (2) Units required for full marks (Years/months)
Common error
5 years 3 months (1 mark if with evidence of appropriate working e.g. attempt at cumulative cashflow)

3(b)

Using the data in Table 1.3, calculate the accounting rate of return (ARR) of the country D location.

Responses may include

ARR = Average profit / average investment × 100 (1)
= 2.8 / 12 × 100 = 23.3% (2)
Answer of 23.3 or $23.3 (1 mark only)
Using alternative ARR equation: 2.8 / 20 × 100 = 14% (1)

3(c)

Evaluate which location KTJ should choose for its new factory.

Level	**AO1 Knowledge and understanding 2 marks**	**AO2 Application 2 marks**	**AO3 Analysis 2 marks**	**AO4 Evaluation 6 marks**
3				**5–6 marks** **Developed evaluation in context** • A developed judgement/conclusion is made in the business context. • Developed evaluative comments which balance some key arguments in the business context.
2	**2 marks Developed knowledge** of relevant key term(s) and/or factor(s) is used to answer the question.	**2 marks Developed application** of relevant point(s) to the business context.	**2 marks Developed analysis** that identifies connections between causes, impacts and/or consequences.	**3–4 marks** **Developed evaluation** • A developed judgement/conclusion is made. • Developed evaluative comments which balance some key arguments.
1	**1 mark** **Limited knowledge** of relevant key term(s) and/or factor(s) is used to answer the question.	**1 mark** **Limited application** of relevant point(s) to the business context.	**1 mark** **Limited analysis** that identifies connections between causes, impacts and/or consequences.	**1–2 marks** **Limited evaluation** • A judgement/conclusion is made with limited supporting comment/evidence. • An attempt is made to balance the arguments.
0	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.

3(c)

Responses may include:
AO1 Knowledge and understanding

Definition of payback / ARR / NPV (max 1 mark for definitions of any or all of these terms)

Factors in the decision
- Shorter payback.
- Higher ARR.
- Capital cost.
- Revenue expenditure required.
- Quality of infrastructure.
- Access to labour and utilities.
- Political/legal environment.
- Quantitative and qualitative factors.

AO2 Application
Limited application, APP *applies knowledge to KTJ once. Developed applicatio* APP APP *applies knowledge to KTJ twice.*
Application is making use of relevant case information not just repeating it.

Using data from Tables 1.1, 1.2 and 1.3
- Country D location is double the capital cost
- Country C has quicker payback by 9 months
- Country C has higher ARR by 1.7% points
- Country C may have lower wages
- Easier to export from Country D
- Bigger potential market in Country D
- Competition between farmers in country C
- Economies of scale in country D farming of fruit
- Mission statement regarding sustainability and ethical relationships with farmers.

3(c)

AO3 Analysis
Limited analysis AN *– candidate shows one link in the chain of analysis.*
Developed analysis L2 AN *– candidate shows two or more links in the chain of analysis or balance of argument.*

- Country D is a middle-income country and therefore households will have a higher incom AN this will result in higher sales of juices L2 AN
- KTJ juices are a premium product so will be relatively expensiv AN so juices may be less affordable in country C
- leading to lower sales L2 AN
- Seaport in country D will facilitate exports of KTJ's juice resulting in higher sales AN and may therefore increase profit L2 AN
- Reliable infrastructure in D could reduce delays and protect brand image resulting in higher sal AN .
- Lower fixed costs in C could improve cash flow reducing risk of liquidity problems for K AN
- Economies of scale in D may reduce per-unit costs and therefore increase pro AN .

AO4 Evaluation
Limited evaluation EVAL *– limited supported judgement and/or a weak attempt at evaluative comment. Developed evaluation* L2 EVAL *– supported judgement and/or reasonable evaluative comment.*
Developed evaluation in context L3 EVAL *– supported judgement in context and/or reasonable evaluative comment in context.*
- Supported judgement as to whether country C or D is better.
- Factors that decision might depend on:
  - Ability of KTJ to raise finance for more expensive option.
  - Willingness to take risk – electricity supply in country C and additional capital cost in D
  - Fit with KTJ's CSR – small farms rather than large scale fruit production
  - Importance of profit. C is marginally more profitable that D.
  - Depends on KTJ's tolerance for operational risk versus willingness to commit higher capital expenditure
  - Country D offers greater stability and scalability but requires larger upfront investment
  - Country C better supports CSR positioning but may compromise operational reliability
  - A phased investment strategy could balance initial risk with future growth potential
  - Decision may be influenced by external factors such as currency movements, access to finance and market growth trends
- Questioning whether Gudaf has the necessary experience / skill to conduct this investment appraisal.

Accept all valid responses.