<table>
<tr><td>1(a)</td><td>
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.
</td></tr>
<tr><td>1(b)</td><td>
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
</td></tr>
</table>

A-Level Business: **w25 11**

<table>
<tr><td>5(a)</td><td>
Analyse <u>two</u> benefits to a business of using a vertical merger for growth.

Indicative content

NOTE: Some understanding of the term vertical merger must be shown. Responses which give general benefits of a horizontal merger/growth e.g. larger workforce/economies of scale are not answering the question and should not be rewarded.

Responses may include:

AO1 Knowledge and understanding

1 mark for identifying ONE benefit to a business of using a vertical merger for growth

rapid external growth within the same supply chain
control over the market/secures outlets/customers/suppliers
improved quality control of materials
exclude competitors from using same supplier
reduces costs
R and D potential

AO2 Application

1 mark for application/explanation of ONE benefit to a business of using a vertical merger for growth

expansion is either with a customer or supplier business
gain economies of scale
can encourage sales of own products if merging with a customer or select best quality materials if merging with supplier
restrict sales of competitors or limit availability of different supply factors to competitors
may be duplication of job roles or resources

expertise of both businesses combines to improve supply chain
</td></tr>
<tr><td>5(a)</td><td>
AO3 Analysis

up to 2 marks for analysis of ONE benefit

2 marks for DEVELOPED analysis of ONE benefit to a business of using a vertical merger for growth (L2 AN) or 1 mark for LIMITED analysis of ONE benefit to a business of using a vertical merger for growth (L1 AN)

both businesses already familiar with what is more likely to be successful due to existing experience and knowledge of suppliers and customers
forward vertical merger with a customer gives control over promotion and pricing of own products and may result in greater sales and profits
secures outlets for products and gives direct access to markets to allow faster response to customer requirements
may exclude competitors' products and reduce competition, possibly increasing market share
backward vertical with a supplier gives control over quality, price and delivery times for supplies, assisting JIT
reduces costs of production and increases profit margins
supplies to competitors may be controlled and possibly reduced or the price increased
after redundancies (which may be expensive), wage costs may be reduced and profits increased
encouragement of R and D by suppliers to improve quality of materials used in manufacturing

Accept all valid responses.
</td></tr>
</table>

5(b)

'Risk taking is the most important quality needed by an entrepreneur to be successful in the clothing design industry.'

Evaluate this view.

Indicative content

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)

Qualities of an entrepreneur
- multi-skilled
- self-confidence
- ability to bounce back
- innovative/creative/make good designs
- results orientated
- committed
- self-motivated
- leadership skills
- definition of an entrepreneur

AO2 Application

2 marks for DEVELOPED application (L2 APP)
1 mark for LIMITED application (L1 APP)

- relevance to clothing design industry – design of garments, not manufacture, although in a small start-up the entrepreneur may do both
- changing fashions/clothing trends/seasons

fashion designers, tailors, types of clothes, fabric, fashion shows

5(b)

AO3 Analysis

2 marks for DEVELOPED analysis (L2 AN)
1 mark for LIMITED analysis (L1 AN)

- consideration of the importance of risk-taking as a quality of an entrepreneur. This may look at ways in which risk-taking is important and ways in which it isn't important
- risk of entering an established and competitive environment and investing own savings. May be relatively cheap to enter this industry as it is design, not necessarily manufacturing
- belief that the business can enter the market alongside established brands although designs can be cheaper and aimed at different markets in which the entrepreneur may have more experience
- risk of failing and having to start again – might be needed if customers do not like the designs and demand is low
- take the risk to produce new and innovative designs/styles of clothing to attract customer from competitors
- consideration of the importance of other qualities of an entrepreneur
- being multiskilled and having ability to perform many different business activities e.g. market research, promotion, presentation of product, handling of finance, dealing with customers, cutting out, sewing, etc. Designs could be done using CAD and a website, making some other skills redundant or easier to deal with
- focussed on achieving objectives which the entrepreneur will have set for themselves and therefore is more likely to know how to work towards to make the business successful
- ambition to make this business succeed as the alternative is to develop a new business idea or move into the role of an employee for another business (which an entrepreneur may find boring)
- driven and hard-working as this is their own business and they are more likely to work long hours in order to make it succeed – the initial risk is the most exciting stage
- able to inspire/motivate employees with the entrepreneur's own vision, self-belief and work ethic as cannot run the business on their own

5(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 risk taking is the most important quality for an entrepreneur to be successful in the clothing design industry. Such judgements/conclusions may be made at any point in the essay, not only in a concluding section.

- how important are other qualities of entrepreneurs instead of/alongside risk taking?
- what is considered successful in this industry – survival, being profitable, gaining market share with cheap clothing, entering a niche market with high end fashion?
- what level of risk is involved within the entrepreneur's plans – are they providing custom T-shirts with a design specified by a customer using a web page – do they want to design elaborate wedding dresses or festival outfits for a specific target market – is this a new business or a diversification for an already successful entrepreneur breaking into a new market?
- a judgement should be made about the importance of different qualities in this particular context
- other factors might be equally or more important than any quality shown by an entrepreneur – the strength of the competition, the demand of the consumer, how dynamic the market is, where the entrepreneur is selling the product, external conditions affecting the market, etc.

Accept all valid responses.

1(a)(i)

Identify <u>one</u> quality an entrepreneur needs for success.

Indicative content

Identification of a quality ✓ may include:
- Ambitious / inner drive
- Risk taker
- Confident
- Inquisitive
- Adaptability / flexible
- Resilience / persistence / determination
- Innovative / creative
- Communication
- Leadership
- Decision making
- Builds trust

If more than one answer is given, only mark the first, reading from top left to bottom right.

Accept all valid responses.

1(a)(ii)	**Explain the term *working capital*.**

AO1 Knowledge and understanding 1 mark	AO2 Application 2 marks
	2 marks Developed application of **one** relevant point to a business context.
1 mark Knowledge of **one** relevant point is used to answer the question.	**1 mark** Limited application of **one** relevant point to a business context.
0 marks No creditable response.	**0 marks** No creditable response.

Indicative content

AO1 Knowledge and understanding
Knowledge of working capital [K] will include (max 1 mark):
- Current assets minus current liabilities
- Money / cash / funds / finance (to run the business)
- Ability to run the business
- Day-to-day / general operations / current / short-term / immediate / trading

1(a)(ii)

AO2 Application
Limited application [APP] applies knowledge of working capital to a business context.
Developed application [APP] + [APP] applies knowledge of working capital to a business context.
- Examples of short-term financial commitments, e.g. stock, salaries, utilities, suppliers, debts, financial obligations, bills etc.
- Reference to current ratio and/or acid test ratio (ideals of 2:1 or 1:1)
- Benefit of maintaining sufficient working capital, e.g. survival, avoid liquidation
- Ways to improve working capital, e.g. use of a bank overdraft
- Managing trade receivables, e.g. stopping/reducing trade credit to customers, debt factoring
- Managing trade payables, e.g. taking/prolonging trade credit from suppliers
- Example from a business concept

Accept all valid responses.

Exemplar and annotations	Mark	Rationale
The ability to pay short-term financial obligations [K] such as high interest on bank loans [APP] and avoid liquidation [APP]	3	An answer which starts with the knowledge and then applies it to SF (case mentions high-interest bank loans). Avoid liquidation (survival) is the second application.
Cash needed [K] to fund the day-to-day operations [APP] such as paying staff salaries [APP].	3	Again, knowledge first, followed by application to business operations (day to day) and includes an example (salaries).
Current assets minus current liabilities [K] to measure the ability to pay day-to-day bills [APP]	2	Knowledge and explanation for one application mark.
It is a measure of the cash needed to operate [K].	1	Not a perfect definition, but enough to award the knowledge mark. No attempt to apply.
The capital the business needs to work.	0	No knowledge of working capital. Tautological.

1(b)(i)

Refer to Table 1.1. Calculate the profit variance for SF in 2024. State whether the variance is favourable or adverse.

Indicative content

Profit variance = actual profit–budgeted profit (1 mark – formula only)

Profit variance = 250 000–2 000 000 (1 mark – use of correct figures in formula)

Profit variance = ($) 1 750 000 adverse variance (1 mark – correct answer (must include adverse))

Answer = ($) **1 750 000 adverse variance / 1.75 m adverse variance** (3 marks – correct answer no working or $ needed) must include adverse

OFR applies

1(b)(i)

Exemplar and annotations

Marks		
3 marks	Correct answer (3) **($)1 750 000 <u>adverse</u> or ($)1.75 m <u>adverse</u>**	**Working and $ and m do not matter.** **Ignore + or -** • **Must be three** ✓ to denote the three marks.
2 marks	**EITHER** • Correct formula AND • Correct identification of figures **OR** • An incorrect answer with one mistake allowing OFR for final stage. Must have the correct variance stated for the answer given. **OR** • A correct variance (1.75 m) with no adverse (or incorrectly states favourable)	To award two marks, there must be • Two ✓ and a ✗ **OR** • One ✓, one ✗ and one [OFR]
1 mark	**One** of the following: • Correct formula • Correct identification of figures in an incorrect formula	To award one mark, there must be: • One ✓ and two ✗
0 marks	No creditable content.	To award zero marks, there must be • One ✗

1(b)(ii) **Explain one drawback to SF of using budgets.**

AO1 Knowledge and understanding 1 mark	AO2 Application 2 marks
	2 marks Developed application of **one** relevant point to a business context.
1 mark Knowledge of **one** relevant point is used to answer the question.	**1 mark** Limited application of **one** relevant point to a business context.
0 marks No creditable response.	**0 marks** No creditable response.

Indicative content

AO1 Knowledge and understanding
Knowledge of a drawback of budgets (max. 1 mark), including:
- Only as good as the figures used
- Do not take into account actual market conditions / external factors
- Ignores qualitative factors
- Can be manipulated to show desired rather than realistic outcomes / bias
- Time consuming to research / predict data
- Can hinder flexibility / innovation
- Less accurate in unstable times / long-term predictions
- Risk of internal conflict / managers competing for resources

1(b)(ii) **AO2 Application**
Explanation of a drawback of budgets (max 1 mark), including:
- Only as good as the figures used–inaccurate data may lead to poor decision making
- Do not take into account actual market conditions–competitiveness
- Ignores qualitative factors–such as new managers/leaders/competitors
- Can be manipulated to show desired rather than realistic outcomes – biased
- Time consuming to research / predict data–opportunity cost of lost time which could be spent on more profitable tasks
- Can hinder flexibility–missed opportunities to increase market share / differentiate
- Less accurate in unstable times / long-term predictions–more suited to the short-term
- Risk of internal conflict / managers competing for resources–hindering teamworking

Context applied to SF (max 1 mark), including:
- Private limited company
- Capital intensive business
- Bob is majority shareholder of SF
- Used internal (organic) growth
- The use of high interest loans to cover initial cashflow problems
- Rents fields from farmers
- Cost of maintenance team / 7 engineers salaries
- Data from Table 1.1
- Can increase revenue by using batteries to store electricity generated by solar panels
- Can sell electricity at peak times for premium prices
- Needs investment into battery technology
- Bob wants to retain control of SF
- Cost of renting new farmland and purchasing solar panels increased significantly in 2024
- ZB is a multinational battery manufacturer
- ZB wants to start a joint venture with SF
- ZB will insist that SF uses ZB batteries in all future solar farms if joint venture goes ahead

Accept all valid responses.

1(b)(ii)

Exemplar and annotations	**Mark**	**Rationale**
A drawback is that the use of a budget is only as good as the figures used , which could lead to inappropriate decision regarding SF's five solar farms .	3	Accurate of data is a reasonable drawback, explained in the specific context of SF by using data from the context.
Budgeted figures are less accurate in the long-term , as conditions are more likely to change which could affect SF's plans to form a joint venture .	3	Reduction in accuracy over the long term which could affect the business's plans . This answer is then applied to SF for three marks in total.
Future opportunities may be missed as budgets may hinder flexibility such as using batteries to store electricity .	3	Although the appears first, it cannot be awarded until the has been found. However, there is obvious , so you can go back and award the .
The budget ignores qualitative factors such as new competitors who may affect future sales .	2	Ignoring qualitative factors is . The answer includes a relevant example which is used to explain the drawback , but only one mark as no application to SF's context.
It is time consuming to forecast data to produce the budget .	1	Time consuming is a relevant drawback for , but it hasn't been explained.
SF has taken out high-interest bank loans to cover initial cash flow problems and so needs to use budgets .	0	Although there is some relevant context, there is no knowledge of a drawback to SF of using budgets, so no marks can be awarded.

1(c) **Analyse two limitations to SF of operating as a capital-intensive business.**

Level	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 4 marks
2			**3–4 marks** **Developed analysis** • Developed analysis that identifies connections between causes, impacts and/or consequences of **two** points. • Developed analysis that identifies connections between causes, impacts and/or consequences of **one** point.
1	**1–2 marks** • Knowledge of **two** relevant points is used to answer the question. • Knowledge of **one** relevant point is used to answer the question.	**1–2 marks** • Application of **two** relevant points to a business context. • Application of **one** relevant point to a business context.	**1–2 marks** **Limited analysis** • Limited analysis that identifies connections between causes, impacts and/or consequences of **two** points. • Limited analysis that identifies connections between causes, impacts and/or consequences of **one** point.
0	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.

Limitation 1 in the left-hand side column, Limitation 2 in the right-hand side column

1(c)	**Indicative content** **AO1 Knowledge and understanding** Knowledge of limitations of investing into capital intensive operations (max s), including: • High cost / expensive • Cost of financing • High maintenance costs • The need for skilled workers for maintenance • Need to train workers to use / maintain the capital equipment • The quick pace of technological change • Obsolescence of equipment • Reliance on machines that might break-down • Reduced employee motivation due to repetitive work • Lack of flexibility **AO2 Application** Max one for application in the first limitation and max on for application in the second limitation Application of the limitation of investing into capital intensive operations for SF (max s), including: • Private limited company • Bob is majority shareholder of SF • Used internal (organic) growth • The use of high interest loans to cover initial cashflow problems • Rents fields from farmers • Cost of maintenance team / 7 engineers salaries • Data from Table 1.1 • Can increase revenue by using batteries to store electricity generated by solar panels • Can sell electricity at peak times for premium prices • Needs investment into battery technology • Bob wants to retain control of SF • Cost of renting new farmland and purchasing solar panels increased significantly in 2024 • ZB is a multinational battery manufacturer • ZB wants to start a joint venture with SF • ZB will insist that SF uses ZB batteries in all future solar farms if joint venture goes ahead

1(c)	**AO3 Analysis** Limited analysis – candidate shows one link in the chain of analysis. Developed analysis candidate shows two or more links in the chain of analysis or a two-sided analysis. **Limitations** • High fixed costs–[the 25% increase in solar panels] may require unplanned sources of possibly expensive finance–may reduce capital for future investment • Cost of financing the equipment–high interest payments will increase expenses–reducing profits • High maintenance costs–increase cash outflows–threaten liquidity/survival • Need for skilled maintenance staff–[7 engineers] may require above average wages to travel across country X–add to fixed costs and reduce profitability • Solar panels may be inefficient in 10 years compared to newest products–higher costs of operation in comparison to competition – make SF less competitive • Need to train workers to use the machinery / capital equipment–cost of training–reduced profits • The quick pace of technological change–need to purchase upgraded machinery to maintain competitiveness–high cost • Obsolescence of equipment–competitors may have newer equipment giving them a competitive advantage–reduced market share • Reliance on machines that might break down–disruption / delays to production–dissatisfied customers • Reduced employee motivation due to repetitive work–reducing efficiency–reducing profitability • Lack of flexibility–production stopped whilst machines are reset to produce different products–inefficiency Accept all valid responses. **Exemplar and annotations**

AO1 Knowledge	AO2 Application	AO3 Analysis
The high costs of initial investment -	Which could hinder Bob's wish to retain control -	As decisions will need to be shared as part of the joint venture – but it is a way of generating the additional finance needed –
Obsolescence of fixed assets –	Which could lead to profit reducing to below $0.25 m -	May lead to increased costs each year to update the fixed assets – and make SF less profitable –

1(d) **Evaluate whether a joint venture is the most appropriate way for SF to grow.**

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.

1(d)	**Indicative content** **AO1 Knowledge and understanding** Knowledge of joint ventures (max s), may include: • Two (or more) parties • Work towards a shared task/objective • Maintain distinct identities • Can be equity or non-equity based • Shared profits/losses/responsibilities • Pool resources/skills/experience/capabilities **AO2 Application** Limited applicatior applies knowledge of growth to SF once Developed application + applies knowledge of growth to SF twice. • Private limited company • Capital intensive business • Bob is majority shareholder of SF • Used internal (organic) growth • The use of high interest loans to cover initial cashflow problems • Rents fields from farmers • Cost of maintenance team / 7 engineers salaries • Data from Table 1.1 • Can increase revenue by using batteries to store electricity generated by solar panels • Can sell electricity at peak times for premium prices • Needs investment into battery technology • Bob wants to retain control of SF • Cost of renting new farmland and purchasing solar panels increased significantly in 2024 • ZB is a multinational battery manufacturer • ZB will insist that SF uses ZB batteries in all future solar farms if joint venture goes ahead

1(d)	**AO3 Analysis** Limited analysis AN – candidate shows one link in the chain of analysis. Developed analysis DEV – candidate shows two or more links in the chain of analysis. **Is appropriate** • Pool resources/skills/experience/capabilities–increased efficiency–improving overall profitability • Fast growth–generates more finance–less risk/cost of borrowing / interest • Maintain distinct identities–maintain brand/business name and reputation–support future growth **Is not appropriate** • Share profit/losses–lower profit than if worked on project alone–reduced funds for future growth • Loss of control of operations–may have to change aims and objectives–affecting decision making • Condition of joint venture if that SF uses ZB batteries–may not be the most appropriate type of battery–increase long term costs / decrease long term profit potential **AO4 Evaluation** Limited evaluation – an unsupported judgement and/or weak attempt at an evaluative comment EVAL Developed evaluation–supported judgement and/or reasonable evaluative comment E Developed evaluation in context–supported judgement in context and/or reasonable evaluative comment in context EE • Relative importance of control–are other issues more important, e.g. market share, economies of scale, specific industry/technology experience, ability to source batteries by SF • Choice depends on SF/Bob's long-term goals. Does he want to remain in sole control, does Bob want a partner to share the workload/risk. • Comparison with other ways to grow, e.g. merger. • The impact of external influences • Choice of partner • A judgement on whether a joint venture is the most appropriate way for SF to grow Accept all valid responses.

1(d)	**Exemplars for awarding evaluation**

L1 EVAL **(limited supporting evidence)**	**L2** E **(developed supporting evidence)**	**L3** EE **(developed supporting evidence with context)**
A joint venture is the best way for SF to grow.	A joint venture is the best way for SF to grow. It will help Bob to quickly generate the extra capital needed to buy the battery technology.	A joint venture is the best way for SF to grow. It will help Bob to quickly generate the extra capital needed to buy the battery technology, and increase profitability by selling electricity at peak times for premium prices.
A joint venture is not the best way for SF to grow.	A joint venture is not the best way for SF to grow. Bob will lose the ability to make the key decisions.	A joint venture is not the best way for SF to grow. Bob will lose the ability to make the key decisions. Bob can retain control of SF as he wishes.

5(a)	**Analyse two ways business enterprise can help the development of a country.** There are 8 marks in total for Q5(a) 4 marks for each of the ways business enterprise can help the development of a country. These 4 marks consist of 1 mark for K 1 mark for APP 2 marks for AN **Indicative content** Responses may include: **AO1 Knowledge and understanding** 1 mark for K identifying **one** way business enterprise can help the development of a country – repeat for a second way identified. **NOTE:** The impact of enterprise can be within a business enterprise or within the wider economy • Stimulates economic activity • Stimulates and improves social welfare • Leads to economic growth • Market demand for goods and services is increased • Innovation leads to new products • Jobs are created • Consumer spending is stimulated • Export opportunities exploited • Bring factors of production together with entrepreneurial spirit and purpose, creating dynamism in an economy
5(a)	**AO2 Application** 1 mark for APP of a **one** chosen way identified - repeat this for the application of a second identified way. • In market economies, business enterprise acts as the wheels of economic growth and development. Un-utilised resources, labour and capital are utilised efficiently. • Entrepreneurs stimulate a business enterprise culture and thrive within it, creating new products and services, stimulating new employment and accelerate economic growth and development. Stimulates and improves social welfare – such as electricity for all **AO3 Analysis** 2 marks for **developed** AN of **one** chosen way – repeat for second identified way 1 mark for **limited** AN of **one** chosen way – repeat for second identified way • Business enterprise stimulates new business formation, providing choice, dynamism, competition and employment, often locally owned and committed to local areas, and act as seedbeds for further development. • Business enterprise cultures lead to the creation of new jobs and opportunities – often entry level jobs to turn unskilled job holders into skilled ones and prepares and provides experienced works for larger industries. • Business enterprise initiatives bring innovation and creativity to countries – resources are used effectively as new and improved products, services, and technologies are developed, leading to the generation of new wealth, higher tax revenues, allowing governments to offer citizens more benefits. • Business enterprise encourages research and development to solve problems that existing products and technology have not yet solved – bring innovation to existing products – secure new finance and experiment with new approaches to business functions, such as HRM, Operations, Finance, and Marketing. • The economic benefit of business enterprise may create the income and wealth for social change and development by reducing a dependency on obsolete methods, systems and technologies – the opportunity for improved lifestyles and better economic choice. Accept all valid responses.

5(b)	**'Intrapreneurship is the most important factor that will ensure the success of a computer entertainment business.'** **Evaluate this view.** There are 12 marks for Q5(b) 2 marks for K 2 marks for APP 2 marks for AN 6 marks for EVAL **Indicative content** 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 • Intrapreneurs are part of a business system and environment that allows employees to act like entrepreneurs within a business, who promote new ideas, inspire creativity, and take proactive steps to improve business operations – a source of innovation within an organisation. • The risks taken by intrapreneurs are absorbed by the business as the formal and informal structures and processes are exploited by intrapreneurs to introduce new ideas, carve out new paths, initiate new ventures and drive organisational change. • The success of a business refers to an ability to survive the uncertainty and volatility of business environments and continue to exist as a viable, productive and sustainable business organisation. • There are many factors that might lead to success e.g. marketing, finance, operations, HRM

5(b)	**AO2 Application** 2 marks for **developed** application/context L2 APP 1 mark for **limited** application/context L1 APP • As the lifespan of the average business organisation continues to shrink, even the most resilient and successful businesses who apply sound business management principles to operations, are not immune to gradual erosion of their positions of growth and dominance. • Intrapreneurs are seen to have the skillset to challenge the 'business as usual' mindset and so allow a business to respond to the disruptive changes in the external market environment by inducing change in the organisational internal environment. • It is increasingly recognised that 'business as usual' operating decisions and procedures are no guarantee of 'ongoing success for a business'. In order to succeed in local, national or global markets, it is asserted that it is necessary to develop new products and do business better and faster than competitors. These developments, it is argued, require distinctive organisational cultures within which intrapreneurs have a vital role to play. • Computer entertainment businesses use computers to allow us to watch movies online, play games online, act as virtual entertainers in playing games, listening to music, videos can be fed from computers to full screen TVs. • Computers have a major effect on the entertainment industry- using technology/software to create striking special effects in movies, creation of animated features and creation of multi-media presentations.

5(b)	**AO3 Analysis** 2 marks for **developed** analysis L2 AN 1 mark for **limited** analysis L1 AN • Ongoing success may well depend on 'going back to the garage' – Steve Jobs, – to recapture the innovative and creative spirit of the past – there is severe competition and new starters abound in the computer entertainment market. • The impact of an intrapreneur can lead to the re-invention of a business – any delay in such re-invention can increase the risk of a business failing – intrapreneurs can drive this reinvention, e.g. change a letter-delivery business to a parcel-delivery business – the British Post Office is cited as an example where the ongoing success has been put at risk with too little intrapreneurial impact on strategic decisions. • Intrapreneurs can generate new ideas and identify new business opportunities and detect success-threatening problems. They can critically evaluate existing organisational and market structures, make use of existing sound commercial infrastructures, sales networks, and financial stability to develop new products and make existing ones more competitive. • Intrapreneurs can provide a longevity to business operations and stimulate new growth opportunities if they can inculcate intrapreneurial thinking and behaviour among managers and employees. • Sony Playstation happened as a junior employee tinkered with his daughter's Nintendo to improve the sound quality – this tinkering convinced Sony of the value of computer gaming systems – Sony now has 2/3rds of market share of the console operating system market. • Agile companies create and support intrapreneurial cultures to ensure that the business does not become too comfortable with past success – the focus is not so much on next quarter's profit as the next decade's worth of revenue growth. • Intrapreneurship is encouraged and supported to ensure that there is a focus on the future (technological developments and consumer trends) – a focus on 'emerging business/product opportunities'. • Intrapreneurship is mainstream as intrapreneurs are supported with capital and allowed to take advantage of the existing customer base, cross-functional expertise, the brand name, the business infrastructure, the stability of a corporate job, and mentorship and guidance. • Intrapreneurs provide the skills for recognising and solving important problems within a business and have the independence and authority to suggest changes for planning the future of a business – they determine methods for staying ahead of the competition and in so doing, contribute to the ongoing survival and success of a business.

5(b) **AO4 Evaluation: Up to 6 marks for evaluation:**

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

- Any judgements, conclusions, or evaluative comments can be made at any point in an essay, not just in a concluding session.
- A supported judgement may be made that while the role of an intrapreneur is critical to the ongoing success of a business, it is not the only, or the most important, influence on the continuing success/viability of a business.
- It might be concluded that intrapreneurship is very important for the ongoing success of a computer entertainment business, whether the business is large – to recapture the spirit that initially put it on the road to success, or small – to maintain the entrepreneurial spirit that gave it birth.
- The judgement may be made that intrapreneurship will ensure that working environments remain innovative and creative, rather than become rigid and stifling.
- The judgement may be made that the role of intrapreneurship is critical if computer entertainment businesses are to remain agile and customer-driven, and take full advantage of new opportunities in consoles, software and accessories that will ensure their ongoing success.
- It might be argued that more important is the quality of management and leadership in a business, especially if the role and importance of intrapreneurship is recognised and given the investment and support by those managers and leaders – effective strategic thinking and management.
- It might also be judged that the effective delivery of key business functions is as, or more, important than intrapreneurship, e.g. effective financial management – finance for growth, new equipment, effective HRM, productive and high morale working environments – effective marketing – developing the brand – effective operations – cutting edge technology.

Accept all valid responses.

2(a)(i)

Identify one external source of finance.

Responses may include:

Knowledge of an external source of finance:
- share capital
- debentures
- new partners
- venture capital
- (bank) overdrafts
- leasing
- hire purchase
- (bank) loans
- mortgages
- debt factoring
- trade credit
- micro-finance
- crowd funding
- government grants
- peer to peer

Accept all valid responses.

2(a)(ii)

Explain the term *business plan*.

AO1 Knowledge and understanding 1 mark	AO2 Application 2 marks
	2 marks Developed application of **one** relevant point to a business context.
1 mark Knowledge of **one** relevant point is used to answer the question.	**1 mark** Limited application of **one** relevant point to a business context.
0 marks No creditable response.	**0 marks** No creditable response.

Responses may include:
AO1 Knowledge and understanding
Knowledge of a business plan, including:
- formal written document containing the goals of a business.
- the methods for attaining business goals/objectives/targets etc.
- a written document that describes a business and its objectives.
- a document outlining the direction of the business and how to get there.

AO2 Application
Explanation of a business plan (max 2 marks), including:
- Any example of a section from a business plan (1 mark for each up to max of 2 marks); HRM plan, marketing plan, operations plan, finance plan.
- Any other relevant data which might be included in a business plan.
- Examples of potential uses of a business; gain finance, find investors etc.
- A business plan may have a specific timeframe for achieving its objectives
- May include internal and external influence data

Accept all valid responses.

2(a)(ii)

Exemplar and annotations	Mark	Rationale
A written document showing the objectives for the business and the functional areas, such as Marketing that are involved. Business plans are often used to apply for finance .	3	Clear knowledge that objectives form part of the business plan. A functional area also identified, as well as a use of a business plan.
Can be used to inform external stakeholders about the business . A business plan can be created for a specific time period, such as 5 years . It is the details about the business and its environment	3	Some idea of what is in a business plan (details and environment), and a use of a plan. Also the time period.
A document outlining what the business does for a specific time period .	2	Knowledge of what is in a business plan and time period.
A future plan for how a business will achieve its objectives .	1	Clear knowledge.
A plan of the business for the future .	0	Tautology – candidates need to show they know what 'business' and 'plan' mean.
A forecast of the sales made by a business.	0	No understanding of a business plan.

2(b)(i)

Refer to Fig 2.1 and other information. Calculate the total payment to the social media influencer in February.

Formula:
Total payment = salary + commission (% of sales) (1)
OR
Correct calculation of revenue that comes directly from the influencer in Feb
= Total sales in four weeks – $4000 + $3000 + $500 + $3000 = $10 500 (1)
OR
Correct calculation of total salary for influencer for Feb = $250 + $250 + $250 + $250 = $1000 (1)

Calculation:

5% of $10 500 = $525 (1)

Total payment = $1000 (salary) + $525 (commission) = $1525 (1 – OFR applies)

Ans = $1525 (3 marks)

2(b)(i)	**Exemplar and annotations**

Marks		
3 marks	Correct answer **$1525**	**Working and sign do not matter**. $
2 marks	Correct calculation of commission based on total revenue that comes directly from the influencer in Feb ($525) **OR** An incorrect answer with one mistake allowing OFR for final stage. **OR** An answer that misses out the commission ($11 500 with working)	To award two marks, there must be • Two ✓ and a ✗ **OR** • One ✓, one ✗ and one OFR **OR** • Two OFR and a ✗
1 mark	**One** of the following: • Correct formula • Correct calculation of total revenue that comes directly from the influencer in Feb ($10 500). • Correct calculation of total salary for FEB ($1000).	To award one mark, there must be: • One ✓ and two ✗
0 marks	No creditable content.	To award zero marks, there must be a minimum of one ✗

2(b)(ii) **Explain one disadvantage to Kaia of using a commission payment method.**

AO1 Knowledge and understanding **1 mark**	**AO2 Application** **2 marks**
	2 marks Developed application of **one** relevant point to a business context.
1 mark Knowledge of **one** relevant point is used to answer the question.	**1 mark** Limited application of **one** relevant point to a business context.
0 marks No creditable response.	**0 marks** No creditable response.

Responses may include:
AO1 Knowledge and understanding
Knowledge of a disadvantage of using commission K (max 1 mark), including
- Increases business costs
- Reduces profit/ profit margin
- Difficult to predict / forecast
- May lead to aggressive sales techniques
- May cause anxiety/stress/demotivation (for the employee)
- May prioritise short-term gains, over long-term business objectives
- May be difficult to recruit new workers
- May cause employees to compete with one another
- Paid from revenue, not profit (may need to be paid even if PB does not make a profit)

AO2 Application
Explanation of a disadvantage of using commission payment method APP (max 1 mark), including:
- Increases business costs – as the business increases revenue, commission also increases
- Difficult to predict / forecast – which can mean that PB may not be able to calculate the break-even point
- May lead to aggressive sales techniques – as salespeople push to increase their own income

2(b)(ii) (continued)

- May cause anxiety/stress (for the employee) – leading to lower motivation
- May prioritise short-term gains, over long-term business objectives – as employees focus on increasing short term revenue and not profit margins
- May be difficult to recruit new workers – because of the uncertainty of their likely income
- May cause employees to compete with one another – and work towards their own utility, not the good of the business
- Paid from revenue, not profit – so may need to be paid even if PB does not make a profit

Context applied to PB APP (max 1 mark), including:
- 5% commission on direct sales
- OFR from **Q2(b)(i)**
- Social media influencer gets a salary as well ($250 a week)
- Use of data in chart 2.1

Exemplar and annotations	**Mark**	**Rationale**
A commission adds to PBs costs K which can reduce the profit available APP to relocate PB to larger premises APP.	3	A disadvantage identified and explained with context.
It may lead to competition between workers K which could lead to demotivated employees APP reducing the $10 500 revenue from the influencer APP.	3	A disadvantage, which is explained and context used.
May be difficult to recruit new influencers K if 5% commission seems low. APP	2	A disadvantage and context. However the disadvantaged is not explained as to how/why recruitment may be more difficult based on commission.
Reduce profit K, and may demotivate the employees.	1	There are two pieces of knowledge here, but they are not linked (ie the candidate has not stated that there is less profit because of the demotivation). Only K so max 1 mark.
Paying a 5% commission means that for every $1 of revenue the influencer sells, they get $0.05.	0	There is no knowledge of a disadvantage of using commission.

Accept all valid responses.

2(c) **Analyse one advantage and one disadvantage to Kaia of using job production.**

Level	**AO1 Knowledge and understanding** **2 marks**	**AO2 Application** **2 marks**	**AO3 Analysis** **4 marks**
2			**3–4 marks** **Developed analysis** • Developed analysis that identifies connections between causes, impacts and/or consequences of **two** points. • Developed analysis that identifies connections between causes, impacts and/or consequences of **one** point.
1	**1–2 marks** • Knowledge of **two** relevant points is used to answer the question. • Knowledge of **one** relevant point is used to answer the question.	**1–2 marks** • Application of **two** relevant points to a business context. • Application of **one** relevant point to a business context.	**1–2 marks** **Limited analysis** • Limited analysis that identifies connections between causes, impacts and/or consequences of **two** points. • Limited analysis that identifies connections between causes, impacts and/or consequences of **one** point.
0	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.

Note: Annotate the first advantage in the left-hand margin and the first disadvantage in the right-hand margin.

2(c)

Responses may include:

AO1 Knowledge and understanding

Knowledge of an advantage of using job production (max 1 mark), including:

- High quality
- High price
- Flexibility
- Customisation / customer satisfaction
- All finished products are sold

Knowledge of a disadvantage of using job production (max 1 mark), including:

- High production costs
- Long lead time
- Requires specialist equipment

AO2 Application

Application of an advantage or disadvantage to PB, including:

- Kaia has a university degree in textile designs
- Kaia thinks she has entrepreneurial qualities
- Sole trader
- Current objective to break even
- Blankets personalised with a picture
- Picture supplied by customer
- Customers design their own blanket (customisable size and picture)
- Many customers buy the blankets as gifts for special occasions (birthdays, holidays etc.)
- Being promoted by a social media influencer
- Use of data in Chart 2.1

AO3 Analysis

Limited analysis of an advantage of job production – developed analysis, including:

- High quality: increases customer satisfaction and leads to sales – increases profit.
- Customisation / customer satisfaction; likely to lead to increased sales – increased profit.
- All finished products are sold; more likely to have costs lower than revenue – increased profitability.

2(c)

Limited analysis of a disadvantage of job production – developed analysis, including:

- High production costs: may need to increase price to cover costs – less chance to break even and make a profit.
- Long lead time; may irritate customers leading to bad reviews – lower sales and profit.
- Requires specialist equipment; may need to purchase expensive capital equipment increasing costs – reducing profitability.

Accept all valid responses.

Exemplars and annotations

AO1 Knowledge	AO2 Application	AO3 Analysis
Higher prices,	For individual blankets that are personalised with a picture.	This is likely to lead to higher revenue leading to higher profit.
Takes longer to produce.	Which may be a issue if customers are purchasing for a special occasion, like a birthday,	So, customers may go to a different business, reducing PBs revenue and therefore decrease the profit.

2(d)

Evaluate the most likely reason for Kaia's objectives to change over the next five years.

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.

2(d)

Responses may include:

AO1 Knowledge and understanding

Knowledge of why business objectives may change over time (max 1 mark), including:

- As the business grows
- If the previous objective has been met
- As the business declines
- As the business maintains
- As the market changes
- As competitors act / react
- When aims / vision / mission changes
- As the business environment changes (not required at AS level, but rewarded) – SLEEPT

AO2 Application

Application to PB (max 2 marks), including:

- Kaia has a university degree in textile designs
- Kaia thinks she has entrepreneurial qualities
- Sole trader
- Current objective to break even
- Blankets personalised with a picture
- Picture supplied by customer
- Customers design their own blanket (customisable size and picture)
- Many customers buy the blankets as gifts for special occasions (birthdays, holidays etc.)
- Being promoted by a social media influencer
- Use of data in Chart 2.1
- Thinking of relocating PB

AO3 Analysis

Limited analysis of **how** the objectives change – developed analysis, including:

- As the business grows; objectives may change to profit maximisation – so that the owners can start to receive an income for their risk.
- As the business declines, objectives may change to survival – and the business may reduce prices in an effort to gain a new market of customers.

2(d)

- As the business maintains; the business owner may decide not to continue the business – leading to trying to recover as much of the capital invested as possible.
- As the market changes, the business will need to adapt to the changing market, perhaps by making significant changes to the type of product being sold or doing some expensive market research into the new customer preferences – leading to an increase in costs and a reduction in profitability.
- As competitors act / react; the business may become a price taker and change their marketing mix – so that they can maintain and grow their market share.
- When aims / vision / mission changes; if the owner decides to change the mission of the business, then all the functions of the business may also need to be changed. For example, buying new capital items that allow it to make a different product – leading to an increase in business costs and reduced profit.
- As the business environment changes (not required at AS level, but rewarded); for example, if the economy goes into recession, then luxury items may not be demanded, reducing customers – leading to a decrease in sales revenue and profit.

AO4 Evaluation
Limited valuation of the most likely reason why objectives may change EVAL – developed E – developed in context EE, including:
- A judgement of the most likely reason for Kaia's objectives to change over the next five years.
- What the judgement may depend upon; the owners desire to continue / grow the business, the market research, dynamism of the market, competitors' actions / reactions etc.
- Kaia has only just started the PB, so the objectives may change significantly over the next five years. Does she have the knowledge / research / experience to judge how the objectives might change over such a long period of time?
- To what extent is PB in a growing or declining market and how many of her customers choose to repeat purchase?
- Kaia's own objectives – she thinks she has entrepreneurial qualities, so will she be looking at new products / business ideas over the next five years, which may mean that PB might not even exist, or be in a very different format to what it is today. Is it sensible to try and plan for five years with such limited experience?
- A judgement about likeliness of the business objectives needing to change over five years.

Accept all valid responses.

2(d)

Exemplars for awarding evaluation

L1 EVAL **(limited supporting evidence)**	**L2** E **(developed supporting evidence)**	**L3** EE **(developed supporting evidence with context)**
The most likely reason is because PB has reached its previous objective.	The most likely reason is because PB has reached its previous objective. This means that Kaia will need a new objective, such as profit maximisation.	The most likely reason is because PB has reached its previous objective, to break even. This means that Kaia will need a new objective, such as profit maximisation.
It depends on her personal objectives.	It depends on her personal objectives, because she is the owner, the objectives will need to change to adapt to her needs.	It depends on her personal objectives, because she is a sole trader, the objectives will need to change to adapt to her needs.