5(a)	**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
5(a)	**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.

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

A-Level Business: **w25 11**

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.

A-Level Business: **w25 13**

3(a)	**Define the term *hostile takeover*.**

Indicative content

Responses may include:

AO1 Knowledge and understanding

CLEAR UNDERSTANDING (2 marks)

- Buying another business against the company's wishes/consent (2)

Clear understanding of the term *hostile takeover* is worth 2 marks. This is indicated by 2 tic✓ ✓ .

PARTIAL UNDERSTANDING (1 mark)

- taking control of another business (1)

Partial understanding of the term *hostile takeover* is worth 1 mark. This is indicated by 1 ti✓ .

Accept all valid responses.

3(b)	**Explain <u>one</u> importance to a business of having objectives.** **Indicative content** Responses may include: **AO1 Knowledge and understanding - 1 mark for identifying ONE importance to a business of having objectives** • set out what the business wants to achieve / gives direction • gives a clear sense of direction to all in the business / improves decision making • sets out clearly what the business wants to achieve • provide a focus for all decisions • motivated employees know exactly what is expected of them • these objectives allow work to be defined, measured, and monitored • measures business performance • increases efficiency / enables better resource allocation **AO2 Application** **2 marks for DEVELOPED application/explanation of ONE importance to a business of having objectives** **1 mark for LIMITED application/explanation of ONE importance to a business of having objectives** • when the objective is clear there can be a plan on how to achieve it • all relevant parts of the business can be co-ordinated to work towards the same objective • employees can be given achievable individual targets which help motivate them to meet the objectives • SMART objectives can be assessed in several ways to check that progress towards achieving them is going to plan Accept all valid responses.

2(a)(i)	**Identify <u>one</u> internal stakeholder of a business.** **AO1 Knowledge and understanding** ✓ **Indicative content** Responses may include: • employees • owners • shareholders • managers • directors • investors Accept all valid responses.

2(a)(ii)	**Explain the term '*distribution channels*.**

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 (max 1 mark), including:
- stages/routes/path a good/service passes through to the final buyer/customer/consumer
- how a product or service gets from the producer to the final customer/from supplier to consumer

AO2 Application
Explanation of distribution channels (max 1 mark), including:
- can be direct/indirect/digital
- help businesses access wider markets
- efficient for getting products to customers
- convenient for customers
- reduce costs through specialisation
- help gain brand recognition

2(a)(ii)	Application for distribution channels (max 1 mark), including: • vary according to business type • business can use more than one channel such as selling through website and retail shop • examples of distribution channels such as: producer sells direct to the consumer involves intermediaries such as wholesalers/retailers/agents digital platforms/websites/apps/social media • example of a business distribution channel **Accept all valid responses**
2(b)(i)	**Refer to Table 2.1. Calculate the break-even level of output of the new face cream.** **Indicative content** formula: break-even output = fixed costs / selling price-variable costs (contribution per unit) (1) calculation of contribution per unit = \$5 – \$2 = \$3 (1) calculation of output = 12 000/3 (1) = 4000 units Answer = **4000 (3)** **OFR applies**

<table>
<tr><td>2(b)(ii)</td><td>

Explain <u>one</u> limitation to NN of break-even analysis.

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 limitation (max 1 mark), including:

- may be based on unrealistic assumptions
- price can change
- fixed costs can change
- variable costs do not always stay the same
- some costs semi-fixed/variable
- sales not the same as output
- hard to calculate for a single product in a business.
- does not take account of changes in the external environment

</td></tr>
</table>

<table>
<tr><td>2(b)(ii)</td><td>

Dis **AO2 Application**
Explanation of a limitation (max 1 mark), including:

- leads to inaccurate analysis
- assumes all units produced are sold
- example of changing fixed costs such as rent/salaries/investments
- example of changing variable costs
- example of semi-fixed/variable costs
- example of difference between sales and output such as unsold inventory/returns/discounts
- products may have different profit margins

Context applied to a limitation (max 1 mark), including:

- answer to **2(b)(i)** (OFR)
- price of $5
- sells other products that contribute to fixed costs
- use of table 2.2
- rents workshop
- competitive market

Accept all valid response

</td></tr>
</table>

2(c)	**Analyse <u>one</u> advantage and <u>one</u> disadvantage to NN of being a small 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.

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

2(c)

Responses may include:

AO1 Knowledge and understanding
Knowledge of an advantage (max 1 mark), including:
- more flexible and adaptable to changing customer needs or market conditions
- more personal and responsive customer service
- lower overheads and operating costs
- easier to control and manage
- able to target niche markets or segments

Knowledge of a disadvantage (max 1 mark), including:
- lower economies of scale
- high unit costs.
- low bargaining power
- difficult to be competitive
- may not be able to fulfil all orders
- smaller customer base
- fewer distribution channels
- limited funding opportunities

AO2 Application *Max one for application to an advantage and Max one for application to a disadvantage*
- needs to sell 4000 units of new product to break even (OFR from **2(b)(i)**)
- high fixed costs of one product such as the new face cream $12 000
- niche market for natural ingredients in skincare
- competitive market with large chains/established brands
- can quickly adapt products for different skin types
- hand-made products
- Natalia manages all tasks/no employees
- Natalia works long hours/stressed and exhausted

2(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.

Advantages, including:
- can be more flexible and adaptable as a small business – such as by being able to modify its products/prices/promotions/places quickly and easily according to customer feedback or market trends.
- increase customer satisfaction – leading to customer loyalty/retention.
- reduced fixed costs – more profit

Disadvantages, including:
- small market and high costs – lead to a lower profit margin
- less potential for growth – limited access to capital
- difficult to compete in the market – less brand recognition
- limited sources of finance – difficult to attract investors/obtain loans

Accept all valid responses

2(d)

Evaluate whether outsourcing is the most suitable way to increase NN's production capacity.

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 – of outsourcing (ma s), including:
- the process of contracting out a business activity or function to another business/organisation
- pay other businesses to take on some tasks
- can help reduce unit costs
- a business can concentrate on what it does best
- can reduce risks
- specialists skilled in function
- specialist facilities

AO2 Application
Limited application applies knowledge of outsourcing to NN once.
Developed application - applies knowledge of outsourcing to NN twice.
- growing demand for its products
- small business
- Natalia works long hours/stressed and exhausted
- NN's values/standards
- Natalia's passion and satisfaction as an entrepreneur
- competitive market
- loyal customer base
- narrow distribution channels
- organic ingredients
- natural, handmade products
- local suppliers
- small, rented workshop
- answer to **2(b)(i)**, required output/sales to break-even

2(d)

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.

Arguments for outsourcing:
- outsourcing allows a business to scale up production – no need to invest in larger premises or equipment.
- would free up time to focus on other tasks – like product development/marketing.
- external manufacturers may have better equipment and processes – leading to improved efficiency/product consistency.
- this could enhance reputation – supporting growth/sales

Arguments against outsourcing:
- could compromise product quality – resulting on dissatisfied customers
- customers may perceive outsourced products as less personal – reducing demand
- may conflict with values – especially if the external firm does not share the same environmental standards.
- may involve high initial costs or long-term contracts- risky for a small business with limited financial resources.

AO4 Evaluation
Limited evaluation – unsupported judgement and/or a weak attempt at evaluative comment
Developed evaluation – supported judgement and/or reasonable evaluative comment
Developed evaluation in context – supported judgement in context and/or reasonable evaluative comment in context.

Outsourcing could help NN expand production and reduce Natalia's workload, but it also poses risks to quality, brand identity, and cost control. A hybrid approach may be more suitable – Natalia could outsource part of the production while maintaining control over key processes. This would allow NN to grow sustainably while preserving its unique brand values.

Other points might include:
- depends on various factors – such as her objectives, resources, capabilities, market conditions
- judgement over the most important/influential factor affecting growth of NN
- elements that the judgement could depend upon, such as losing control over the quality and consistency of the products, compromising on the natural and organic ingredients used in the products, or damaging the reputation and image of NN
- judgement on the implications for cost and NN's ability to compete with big brands
- weighing up of the factors and their relative influence on NN's options

Accept all valid responses

<table>
<tr><td>1(a)(i)</td><td>

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.

</td></tr>
<tr><td>1(a)(ii)</td><td>

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

</td></tr>
</table>

1(a)(ii)	**AO2 Application** Limited application applies knowledge of working capital to a business context. Developed application + 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 such as high interest on bank loans and avoid liquidation	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 to fund the day-to-day operations such as paying staff salaries .	3	Again, knowledge first, followed by application to business operations (day to day) and includes an example (salaries).
Current assets minus current liabilities to measure the ability to pay day-to-day bills	2	Knowledge and explanation for one application mark.
It is a measure of the cash needed to operate .	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 <u>one</u> 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 K (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 APP (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 APP (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 K, which could lead to inappropriate decision APP regarding SF's five solar farms APP.	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 K, as conditions are more likely to change which could affect SF's plans APP to form a joint venture APP.	3	Reduction in accuracy over the long term K which could affect the business's plans APP. This answer is then applied to SF for three marks in total.
Future opportunities may be missed APP as budgets may hinder flexibility K such as using batteries to store electricity APP.	3	Although the APP appears first, it cannot be awarded until the K has been found. However, there is obvious K, so you can go back and award the APP.
The budget ignores qualitative factors K such as new competitors who may affect future sales APP.	2	Ignoring qualitative factors is K. The answer includes a relevant example which is used to explain the drawback APP, but only one mark as no application to SF's context.
It is time consuming to forecast data to produce the budget K.	1	Time consuming is a relevant drawback for K, 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 TV.	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 <u>two</u> 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 K 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 APP for application in the first limitation and max on APP for application in the second limitation
Application of the limitation of investing into capital intensive operations for SF (max APP 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 1 K 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 application APP applies knowledge of growth to SF once

Developed application APP + APP 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.

2(a)(i)

Identify <u>one</u> way in which business size can be measured.

Indicative content

Identification of a method ✓ may include:
- Capital employed
- Market capitalisation
- Market share
- Revenue (allow sales, sales turnover or turnover, income)
- Quantity sold
- Value of output
- Number of employees
- Area/space
- Number of outlets
- Number of customers

Do not allow profit – which is a measure of success or performance, but not size.

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

Accept all valid responses.

2(a)(ii)

Explain the term *demographic segmentation*.

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 demographic segmentation may include:
- The identification of groups of customers with similar or common needs or characteristics within a market
- Dividing the market according to factors that describe the population
- Specific customer groups / target markets

AO2 Application
Explanation of demographic segmentation (max 1 mark) including:
- Study of population data/trends
- Examples of demographic factors, e.g. age, gender, race, social class, income

Context applied to demographic segmentation, including (max 1 mark):
- A valid example of a business that uses demographic segmentation to plan how it markets its products, e.g. a luxury car manufacturer may use demographic segmentation to target its advertising at high-income individuals or PH targets its student rental accommodation at university students

2(a)(ii)

- Used for marketing of different products or services to specific consumer groups
- Helps the business to adapt the marketing mix to the needs of the target customer group
- Different marketing decisions for different groups

Accept all valid responses

Application can be made to PH or any other scenario/context/business/person.

Exemplar and annotations	**Mark**	**Rationale**
Dividing the market into groups according to age or gender , for example a clothes retailer has three departments with products for men, women and children .	3	The answer starts with application but shows knowledge by the reference to age/gender. There is an example of the use of demographic segmentation by a clothes retailer.
Identifying groups of customers with similar needs or characteristics within a market using population data such as age	2	Clear knowledge. With some application of how
Used for marketing of different products or services to specific types of customer	1	A reasonable definition
Segmenting using demographics	0	Tautological

2(b)(i)

Refer to lines 6–8. Calculate PH's labour turnover in 2024.

Formula to calculate labour turnover:

- $\frac{\text{number of employees leaving in 1 year}}{\text{Average number of people employed}} \times 100$ (1 mark – formula only)

Use of figures:

- $\frac{45}{150} \times 100$ (1 mark – use of correct figures)

Labour turnover:

- 30% (1 mark – correct answer – no % necessary)

Exemplar and annotations

Marks	**Answer**	**Rationale**
3 marks	Correct answer **30%**	**Working and % do not matter**. **Must be three** ✓ to denote the three marks. Correct rounding must be applied.
2 marks	**Both** of the following: • Correct formula • Correct identification of figures **OR** An incorrect answer with one mistake allowing OFR for final stage. **OR** 0.3 (has not completed final stage to multiply by 100) **OR** A correct answer from an inverted formula (3.3 – OFR)	To award two marks, there must be • Two ✓ and a ✗ **OR** • One ✓ , one ✗ and one OFR

2(b)(i)

Marks	**Answer**	**Rationale**
1 mark	**One** of the following: • Correct formula	To award one mark, there must be: • One ✓ and two ✗
0 marks	No creditable content.	To award zero marks, there must be • One ✗

2(b)(ii) **Explain <u>one</u> way in which PH could use Maslow's Hierarchy of Needs**

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 use of a motivational theory (max 1 mark), including:
- Change the way that employees are treated/managed/motivated at PH or relevant examples
- Make changes to increase motivation to maintain PH's low labour turnover/retain employees
- Understand employee behaviour/employee motivation
- Measuring employee needs

AO2 Application
Explanation of a use of Maslow's hierarchy of needs (max 1 mark), including:
- Explain how motivation affects how employees behave, e.g. an employee doing a repetitive job/working alone may have a high absenteeism rate
- Explain the use with reference to one of Maslow's categories of need, e.g. physiological, safety, love and belonging, esteem and self-actualisation needs
- Examples of how PH could change the way that employees are managed/motivated:
- Offer more opportunities for internal promotion
- Increase employee salaries
- Encourage employees to stay in the business
- Change working conditions

2(b)(ii) Context applied to **PH** (max 1 mark), including:
- Use of demographic segmentation in its market research
- University students would pay a premium price for high specification rental accommodation
- Specialist teams focused on sales, maintenance, customer service and finance.
- Little opportunity for internal promotion
- Low salaries
- Offers profit sharing
- 150 employees
- Low labour turnover
- Profit reduced by 75%
- In 2024, 45 employees left PH
- Increased complaints about maintenance and customer service
- Use of data from Fig. 2.1
- Operations Director wants to improve the sustainability of PH's operations

Accept all valid responses.

Exemplar and annotations	**Mark**	**Rationale**
Managers can understand what motivates employees such as ensuring physiological needs are met for the 150 employees .	3	Use of Maslow's hierarchy of needs by managers , with further explanation with reference to Maslow's hierarchy . The third mark is for reference to the context .
Helps managers decide how to change their management style so that less than 45 employees leave this year .	2	Knowledge of a use and applied to the number of employees.
Identifies the different motivations for human behaviour	1	Knowledge of a use with no application
Maslow's Hierarchy of needs is a motivational theory is the study of understanding what drives a person to work towards a particular goal or outcome .	0	No use of Maslow's hierarchy of needs. This answer is a definition of the theory and does not answer the question

2(c)

Analyse <u>one</u> advantage and <u>one</u> disadvantage to PH of using an overdraft as a source of finance.

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.

Advantage in the left hand side column, disadvantage in the right hand side column

2(c)

Indicative content

AO1 Knowledge and understanding

Knowledge of one advantage using an overdraft as a source of finance (max 1 mark), including:

- Quick – previously agreed / immediately available
- Convenient – can use it as required
- Flexible
- No repayment schedule
- No loss of ownership

Knowledge of one disadvantage using an overdraft as a source of finance (max 1 mark), including:

- High interest rates / fees
- Can be recalled at any time
- Often low limit available
- Can only be used for short-term needs
- Must be repaid

Note: the advantages/disadvantages have to be true for an overdraft, but not exclusively true to an overdraft (i.e. they may apply to other sources of finance).

AO2 Application

Application of an advantage or disadvantage to PH, including:

- Use of demographic segmentation in its market research
- University students would pay a premium price for high specification rental accommodation
- Specialist teams focused on sales, maintenance, customer service and finance.
- Little opportunity for internal promotion
- Low salaries
- Offers profit sharing
- 150 employees
- Low labour turnover
- Profit reduced by 75%
- In 2024, 45 employees left PH
- Increased complaints about maintenance and customer service
- Use of data from Fig. 2.1

2(c)

- Operations Director wants to improve the sustainability of PH's operations
- Use of data from Fig. 2.1
- Operations Director wants to improve the sustainability of PH's operations

AO3 Analysis

Limited analysis of an advantage/disadvantage of using an overdraft [AN] *– candidate shows one link in the chain of analysis.*

Developed analysis of an advantage/disadvantage of using an overdraft [DEV] *candidate shows two or more links in the chain of analysis or a two-sided analysis.*

Analysis may include:
- Quick – previously agreed / immediately available; the funds can be used for expansion immediately – leading to increased market share
- Convenient – can use it as required; no time is wasted with application – can be used for other activities such as marketing
- Flexible; can be used for any type of purchase – to meet the business objectives
- No repayment schedule; this will reduce cash outflows – This money can be used to better maintain the properties rented, reducing customer complaints.

- High interest rates/fees; higher interest rates may increase costs – this will reduce profits
- Can be recalled at any time; the business may need to suddenly repay the money leading to cashflow problems – threatening business survival
- Often low limit available; The overdraft limit may be low. This will limit the investments that PH can make – therefore the business will not be able to reduce complaints.
- Can only be used for short-term needs; limiting the project that the money can be used for – some objectives may not be met
- Must be repaid; increasing cash outflows – less funds available for marketing

Accept all valid responses.

2(c)

Exemplar and annotations

	AO1 Knowledge	**AO2 Application**	**AO3 Analysis**
Exemplar of an advantage ***Annotations for the advantage should be placed in the left-hand margin.***	Interest only charged on the overdrawn amount [K]	For upgrading accommodation in high-income cities [APP].	Ensures short term cost is minimal [AN] reducing further pressure on profit levels [DEV].
Exemplar of a disadvantage ***Annotations for the disadvantage should be placed in the right-hand margin.***	The funds need to be repaid [K]	If student accommodation not rented out [APP].	This could lead to a bad credit rating if payments missed [AN] which may increase cost of future borrowing [DEV].

2(d)

Evaluate whether Frank's plan will improve the sustainability of PH's operations

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.

Indicative content
AO1 Knowledge and understanding
Knowledge of sustainability of operations (max 1), including:
- Operating / surviving / remaining in business for the long-term / future / not running out of money / continuity / stable
- Efficiency
- Productive
- Day-to-day running of the business
- Keeping customers satisfied
- Maintaining profitability – reducing expenses and increasing revenue

Note: The question stem asks about operational sustainability. Therefore, operational sustainability must be the focus of the answer, not environmental sustainability.

2(d)

AO2 Application

Application of an advantage or disadvantage to PB APP, including:

- Use of demographic segmentation in its market research
- University students would pay a premium price for high specification rental accommodation
- Specialist teams focused on sales, maintenance, customer service and finance.
- Little opportunity for internal promotion
- Low salaries
- Offers profit sharing
- 150 employees
- Low labour turnover
- Profit reduced by 75%
- In 2024, 45 employees left PH
- Increased complaints about maintenance and customer service
- Use of data from Fig. 2.1

AO3 Analysis

Limited analysis of whether the plan will improve the sustainability of PH's operations AN *– candidate shows one link in the chain of analysis.*

Developed analysis of whether the plan will improve the sustainability of PH's operations DEV *– candidate shows two or more links in the chain of analysis.*

- Financial stability; reduce short term cash inflow – reduce debt burden and interest payments
- Focus on profit; increase profit margins – focus on core values
- Increased efficiency of workforce; may lose excellent employees who take knowledge to competitors – lose market share/customer service may reduce further due to losing more experienced employees
- Keeping customers satisfied; increased market share – more market power / ability to increase prices
- Business continues for the long-term; increased employee satisfaction from greater job security – reduced labour turnover

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 .

2(d)

- The impact of the plan depends on the timescales, future aims and objectives and financial liquidity of PH. After downsizing the amount of revenue generated may not meet shareholder expectations
- Will demand for premium accommodation increase in the future? What are the demands of students?
- Should PH repurpose its accommodation for a different target audience, create a subsidiary brand and grow market share?
- Is market share and size the most important measure of success, or is profitability more important?
- The extension strategy may generate a short-term boost to sales/market share, but will it be sustained in the long-term?
- A judgement on whether the course of action is suitable for PH.

Accept all valid responses.

Exemplars for awarding evaluation

L1 EVAL **(limited supporting evidence)**	**L2** E **(developed supporting evidence)**	**L3** EE **(developed supporting evidence with context)**
Frank's plan will improve the sustainability of PH's operations.	Frank's plan will improve the sustainability of PH's operations. Increased labour efficiency will reduce expenditure on salaries.	Frank's plan will improve the sustainability of PH's operations. Increased labour efficiency will reduce expenditure on salaries. This will help to reverse the trend of reducing profit levels over the past two years.
I don't think the sustainability of PH's operations will be improved.	I don't think the sustainability of PH's operations will be improved. Investing in new accommodation will cost a lot of money.	I don't think the sustainability of PH's operations will be improved. Investing in new accommodation will cost a lot of money, and PH does not have experienced employees to do the work as they have left.