2 Natalia's Naturals (NN)

NN is a small business owned by Natalia. NN produces and sells a range of natural skincare products.

In 2020, Natalia started making her own skincare products at home using natural ingredients. She realised that there was a demand for her products among her friends and family. Natalia then decided to turn her hobby into a business and launched NN in 2021.

Natalia operates her business from a rented workshop with limited space, where she makes her products by hand. She buys her ingredients from local suppliers who share her values of environmentally friendly production.

NN has been growing steadily and has gained a loyal customer base. NN has received positive reviews from beauty magazines. Natalia's skincare products are sold through her own website, social media platforms and local retailers who specialise in selling natural products.

Natalia is developing a new face cream. Table 2.1 shows price and cost estimates for the new face cream.

Table 2.1 Price and cost estimates

Product	Price	Allocated fixed costs	Variable costs per unit
Face cream	\$5	\$12 000	\$2

The skincare market is very competitive. There are many established brands that offer similar products to NN, but with wider distribution channels.

Natalia needs to balance her time between production, managing orders, delivery, marketing and other administrative tasks. She works long hours and is stressed and exhausted.

Natalia is considering outsourcing to increase NN's production capacity.

(a) **(i)** Identify **one** internal stakeholder of a business. [1]

(ii) Explain the term *distribution channels*. [3]

(b) **(i)** Refer to Table 2.1. Calculate the break-even level of output of the new face cream. [3]

(ii) Explain **one** limitation to NN of break-even analysis. [3]

(c) Analyse **one** advantage and **one** disadvantage to NN of being a small business. [8]

(d) Evaluate whether outsourcing is the most suitable way to increase NN's production capacity. [12]

2 Law Advice Forum (LAF)

Drake has a law degree and works for a partnership of lawyers during the day. Drake owns a website that gives free legal advice. He works on the website in the evenings and at the weekend.

He started the website as a hobby, but the website has grown to over 20000 users and he now sells advertising on his videos and on the website.

Drake uses outsourcing for some areas of his website. He has recently been sent a report showing variances in the budget from the previous month (see Table 2.1).

Table 2.1 Budget report for Drake's website in the previous month

	Budget	Actual
Total revenue	$4500	$4000
Total costs	$600	$750
Profit	$3900	$3250

Drake has now left his job and is focusing full time on the website. He rebranded the website as Law Advice Forum (LAF). Drake's business plan for LAF included:

- Operating as a sole trader.
- Continuing to develop and expand the website to provide legal advice and paid legal services.
- Renting an office in city G where all employees would work.
- Hiring five fully qualified lawyers.
- Hiring three administrators.
- Leasing IT equipment.

However, Drake is concerned about the limitations LAF will face as a labour intensive operation.

(a) **(i)** Identify **one** external stakeholder of a business partnership. [1]

(ii) Explain the term *outsourcing*. [3]

(b) **(i)** Refer to Table 2.1. Calculate the profit variance for Drake's website in the previous month. State whether the variance is favourable or adverse. [3]

(ii) Explain **one** way Drake could use the budget data in Table 2.1. [3]

(c) Analyse **two** possible limitations for LAF as a labour intensive operation. [8]

(d) Evaluate the most important responsibility that Drake has as the owner of LAF. [12]

6 **(a)** Analyse **two** advantages to a business of making ethical decisions. [8]

(b) 'Employees are the most important stakeholder group in a primary sector oil and gas business.'

Evaluate this view. [12]

1 Natural Shampoos (NS)

NS is a private limited company set up by Saira and Chantal as a social enterprise. NS sells natural hair care products and focuses on customer (market) orientation. The main aims of Saira and Chantal include donating to local charities and improving gender equality in the workplace.

NS began by selling its products to small, independent businesses in country H. NS expanded its range slowly based on customer feedback, specific requests on its blog, and sales data.

NS explored additional finance opportunities required for expansion. NS approached John, who owns manufacturing facilities in country H and has significant marketing experience. He invested into NS in return for ownership of one third of the business. John's main aim is to increase long-term profits in order to maximise the return on his investment.

In the five years since John's investment, NS has become the market leader in country H for natural hair care products. NS products are now sold in major cosmetic retailers.

NS recently analysed its output in 2024 (see Table 1.1).

Table 1.1 NS output data for 2024

	Units
Actual output level	145 000
Capacity	150 000

Saira and Chantal have decided to employ a Marketing Manager for NS. Fig 1.2 shows an extract from the job advertisement.

Marketing Manager

- Experience of growing brand awareness and using online channels of distribution.
- Using budgets to monitor the performance of marketing campaigns.
- Developing and maintaining relationships with external stakeholders.

Fig 1.2 Extract from job advertisement for NS's new Marketing Manager

(a) (i) Identify **one** feature of a private limited company. [1]

(ii) Explain the term *customer (market) orientation*. [3]

(b) (i) Refer to Table 1.1. Calculate NS's capacity utilisation in 2024. [3]

(ii) Explain **one** possible disadvantage to NS of high capacity utilisation. [3]

(c) Analyse **two** selection methods that NS could use to choose a new Marketing Manager. [8]

(d) Evaluate the most likely reason for conflict to arise between the owners of NS. [12]