2(a)(i)

Identify one 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

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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

2(b)(ii)

Explain one 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

2(b)(ii)	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**

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 o. 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

2(a)(i) **Identify one external stakeholder of a business partnership.**
Responses may include:
Knowledge of an external stakeholder of a partnership
- Customers / consumers
- Suppliers
- Competitors
- Government
- Local community
- Potential investors/owners
- Banks

Do not accept owners, investors or shareholders, as these are internal stakeholders.

Accept all valid responses.

2(a)(ii)	**Explain the term *outsourcing*.**

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 outsourcing (max 1 mark), including:
- Using another business (a third party) to undertake a business function
- Using an external business/producer to undertake a business function

AO2 Application
Limited application applies knowledge of outsourcing to a business context
Developed application - applies knowledge of outsourcing to a business context

- Examples of an outsourcing function; manufacturing, accounting and finance, HRM etc.
- Allow explanations of reasons for outsourcing; lack of skills, cost advantage, increasing capacity etc.
- Not using the business's own resources; employees, machines etc.

Accept all valid responses.

2(a)(ii)

Exemplar and annotations	**Mark**	**Rationale**
Another business producing for you. To increase capacity by using the other business's facilities.	3	Knowledge of outsourcing, a reason to outsource and explanation of how this might happen.
Using a third party to do tasks for your business, such as outsourcing HR tasks if they can do it cheaper.	3	Knowledge of outsourcing, with an example of an outsourced task and a reason.
Contracting another business to do a job such as marketing	2	Knowledge of outsourcing and an example of an outsourced task.
Using another business to do a business function. Drake uses outsourcing for some areas of his website.	1	Knowledge of outsourcing. Do not credit copied sections from the case.
Partnering with another business to sell goods.	0	This is not outsourcing – this could be a distribution agreement.
Drake uses another business for some areas of his website, such as keeping it up to date.	0	No knowledge of outsourcing. Do not credit copying of the case material.

2(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.**

Formula:
Actual – Budget = Variance (1) OR Budget – Actual (1)

Calculation:

Variance = $3250 – $3900 = $650 (1)

Adverse (1) – only award if this is evidenced by the working/answer

Ans = $650 adverse (3 marks)
Accept 16.67% (must include % sign and be correctly rounded, i.e. 17%, 16.7% etc.) adverse as a correct answer

Examples and annotations

Marks	**Answer**	**Rationale**
3 marks	Correct answer **$650 adverse** *Accept 16.67% adverse*	**Working and $ do not matter.** **Award one** ✓ to denote the three marks. Do not award the minus sign as adverse.
2 marks	• A correct answer with incorrect or missing variance (650)	To award two marks, there must be • Two ✓ and a ✗ **OR** • One ✓, one ✗ and one OFR
1 mark	**One** of the following: • Correct formula (can be implied)	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 Drake could use the budget data in Table 2.1.**

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
Identification of a way to use budget data (max 1 mark), including:
- measuring performance
- allocating resources
- controlling
- monitoring a business
- decision making (or examples of decision making, e.g. pricing, costing)
- planning.

AO2 Application
Explanation of a way to use budget data (max 1 mark), including:
- measuring performance; by comparing actual data with budgeted data
- allocating resources; by allocating more budget to priorities
- controlling; by allocating less budget to low priority functions
- monitoring a business; to see areas of a business with greater variances.

2(b)(ii)	Context applied to Drake/LAF (max 1 mark), including: • Drake ran his website in the weekends and evenings • Drake gave free legal advice • LAF still provides free legal advice but paid legal services • Drake was the only internal stakeholder of his website • Drake uses outsourcing • Use of data in Table 2.1 • Drake has expanded LAF • Will employ five lawyers • Will employ three administrators • Labour intensive business • Sole trader Accept all valid responses.

Exemplar and annotations	**Mark**	**Rationale**
To identify variances of areas where LAF is overspending leading to the adverse profit variance of $650 .	3	A way identified, explained and in context, so all 3 marks.
To monitor the business to decide if Drake should continue outsourcing .	2	A way identified, and in context for Drake/LAF.
To know how much money is left	1	Identification of a way.
To grow the business	0	No specific way identified.

2(c) **Analyse <u>two</u> possible limitations for LAF as a labour intensive operation.**

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.

2(c)

Level	**AO1 Knowledge and understanding** **2 marks**	**AO2 Application** **2 marks**	**AO3 Analysis** **4 marks**
0	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.

Annotate the first reason in the left-hand margin and the second reason in the right-hand margin

Answers must be about the limitations of operating as a labour intensive business, not simply the limitations of managing/having labour.

Responses may include:

AO1 Knowledge and understanding
Identification of a limitation of operating as a labour intensive operation , including:
- High labour cost
- Ongoing costs of labour (wages, salary, health care, training, induction etc.)
- Inconsistent quality – human error
- Labour relations problems
- Potential shortage of skilled employees
- Slower production

2(c)

AO2 Application
Application of the advantage to LAF , including:
- Drake ran his website in the weekends and evenings
- Drake gave free legal advice
- LAF still provides free legal advice but paid legal services
- Drake was the only internal stakeholder of his website
- Drake uses outsourcing
- Use of data in Table 2.1
- Drake has expanded LAF
- Will employ five lawyers
- Will employ three administrators
- Developed a business plan
- All employees would work in the same office in city G
- Employees will need to be able to use IT equipment
- Sole trader

AO3 Analysis
Limited analysis of a limitation of operating as a labour intensive business – developed analysis , including:
- High labour cost: increasing the pressure on the business to increase revenue – so that it does not make a loss.
- Ongoing costs of labour (wages, salary, health care etc.); which may make the business unprofitable – leading to bankruptcy.
- Inconsistent quality: leading to customer dissatisfaction and being sued in court – increasing business costs.
- Labour relations problems: workers may not get on together leading to high labour turnover – which may increase the business costs of recruitment and training and reduce profit / lead to loss.
- Potential shortage of skilled employees; so, the business is unable to meet demand and loses sales – reduced profitability.

Accept all valid responses.

2(c)	Exemplar and annotations		
	AO1 Knowledge	**AO2 Application**	**AO3 Analysis**
	High wage costs ,	of the five lawyers ,	Which will increase the <u>total costs</u> of the business leading to lower profit .
	A slower service .	Because LAF will be using five human lawyers ,	Which may reduce demand for LAF's services and therefore decrease the profit .

2(d)	**Evaluate the most important responsibility that Drake has as the owner of LAF.**				
	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.

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2(d)	**Level**	**AO1 Knowledge and understanding 2 marks**	**AO2 Application 2 marks**	**AO3 Analysis 2 marks**	**AO4 Evaluation 6 marks**
	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.

Responsibility is the duty or state of being accountable for something, meaning Drake has the obligation to take care of it or to ensure this is done.

Do not reward characteristics/qualities of an entrepreneur – it must be something that an owner/manager is responsible for in a business.

2(d)

Responses may include:

AO1 Knowledge and understanding
Knowledge of owner responsibilities (max 2 marks), including:
- To create a business plan
- To develop aims, objectives, strategy and tactics
- To keep track of finances and accounting
- To manage marketing and sales
- To make sure the business is operating legally and compliantly
- Ensure excellent customer service
- To employ and co-ordinate human resources
- Manage day-to-day operations
- Plan new initiatives
- To train the employees
- To facilitate operations
- To oversee purchasing

AO2 Application
Application to Drake/LAF , including:
- Drake ran his website in the weekends and evenings
- Drake gave free legal advice
- LAF still provides free legal advice but paid legal services
- Drake was the only internal stakeholder of his website
- Drake uses outsourcing
- Use of data in Table 2.1
- Drake has expanded LAF
- Will employ five lawyers
- Will employ three administrators
- Labour intensive business
- Developed a business plan
- All employees would work in the same office in city G
- Employees will need to be able to use IT equipment
- Sole trader.

Question	Answer
2(d)	**AO3 Analysis** Limited analysis of owner responsibilities AN – developed analysis DEV, including: • To create a business plan; to give the business direction so that it can operate efficiently – reduce costs / increase revenue. • To develop aims, objectives, strategy and tactics – to give the business direction so that it can operate efficiently – reduce costs / increase revenue. • To keep track of finances and accounting; so that the business does not go into debt – and go bankrupt. • To manage marketing and sales; so that the business can gain revenue – to increase profit. • To make sure the business is operating legally and compliantly; so that the business is not sued – which could increase the costs. • Ensure excellent customer service; so that customers return – increasing revenue. • To employ and co-ordinate human resources; so that the business can operate efficiently – reducing costs and increasing profitability. • Manage day-to-day operations; to enable to business to meet its customers' needs – increasing revenue and repeat purchases. • Plan new initiatives; to expand the business – increasing revenue. • To train the employees; to increase customer satisfaction – increasing profit. • To facilitate operations; to enable revenue to be created – increasing profitability. • To oversee purchasing; to enable efficient operations – reducing average costs and increasing profitability. **AO4 Evaluation** Limited evaluation of the most important owner responsibility EVAL – developed E – developed in context EE, including: • A judgement of the most important responsibility of Drake as the owner of LAF. • What the judgement may depend upon; Drake's own objectives/skills, the likely success of LAF as it expands, the finances available to Drake etc. • It is unknown what the legal structure of LAF is – as a shareholder, Drake would have different responsibilities than a sole trader. • Whether Drake is able to expand LAF as he plans to – his responsibilities as a 'one-person' business are different than his responsibilities as LAF grows and employs more people. • The type of legal advice that Drake may be providing and the laws pertaining to legal advice in the countries where LAF operates. • A judgement about the importance of one responsibility or a weighing up of the comparative importance of more than one responsibility. Accept all valid responses
2(d)	**Exemplars for awarding evaluation** **Evaluate the most important responsibility that Drake has as the owner of LAF.**

L1 EVAL **(limited supporting evidence)**	**L2** E **(developed supporting evidence)**	**L3** EE **(developed supporting evidence with context)**
The most important responsibility is to pay the lawyers.	The most important responsibility is to pay the lawyers because without them, the business has no service to provide and will go bankrupt.	The most important responsibility is to pay the five lawyers because without them, the business has no service to provide and will go bankrupt.
The most important depends on the size of the business.	The most important depends on the size of the business. As a small business, Drake might need to focus on making sure there is enough finance. When the business grows, this might change to customer satisfaction.	The most important depends on the size of the business. As a sole trader, Drake might need to focus on making sure there is enough finance. When the business grows, this might change to customer satisfaction.

Question	Answer
6(a)	**Analyse <u>two</u> advantages to a business of making ethical decisions.** There are 8 marks in total for Q6(a) 4 marks for each advantage given. 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** advantage • Enhanced business reputation • Increased employee morale • Improved customer trust/loyalty • Mitigate legal risks/pressure group criticism • Positive social impact • May give competitive advantage • Ensures long term sustainability • Ensures business success • Attracts more investors • Government support • Higher sales • Attracts employees • Reduce costs • Reduce conflict between employees
6(a)	**AO2 Application** 1 mark for APP of the chosen way. Repeat this for the chosen advantage • Paying fair/living wages – not employ child labour • Committing to sustainability – reduce carbon footprint, recycle, energy efficiency • Using Fairtrade suppliers – pay fair price for goods • Reducing workforce without layoffs – through consultation with unions • Reduce pollution – use more eco-friendly machines • Limit advertising to children/parents – 'pester power' • Not take bribes – written into code of conduct • Investors feel that their money is being used in a responsible way **AO3 Analysis** 2 marks for **developed** analysis of the chosen analysis L2 AN 1 mark for **limited** analysis of the chosen analysis L1 AN • Can lead to good publicity and brand image/usp – customers may become loyal • Attract ethical customers – a potentially increasing customer base in today's market • Ethical businesses are more likely to be awarded government contracts – increase revenue • Well qualified staff may be attracted to work for businesses who are the most ethical – competitive advantage. • Fosters a culture of fairness and respect within the business – help reduce labour turnover and increase efficiency. • Improves the public image of the business – people want to work there, customers want to purchase goods, investment • Improves the bottom line of the business – loyal customers – increased profits • Appeals to shareholders as there is a growing number of ethical investors – greater investment Accept all valid responses.

6(b)

‘Employees are the most important stakeholder group in a primary sector oil and gas business.’

Evaluate this view.

There are 12 marks for Q6(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

- Stakeholders are persons who have an interest in/are affected by a business, such as owners, shareholders, customers, suppliers, employees, local communities, government, special interest groups
- Primary sector oil and gas businesses exist in the energy sector and often span many countries with huge revenues and profits.
- They engage in the exploration and extraction of oil and gas.

6(b)

AO2 Application

2 marks for **developed** application/context L2 APP

1 mark for **limited** application/context L1 APP

- Employees are important as they provide skilled labour and without them the business would not be able to operate and make profits.
- Employees ensure new sites are found, oil and gas is extracted efficiently and safely.
- Primary sector oil and gas industries can be dangerous and risky- health and safety policies needed to protect employees
- Oil and gas sector produce energy services to power vehicles, heat homes and manufacture steel
- Sold to petrol/gas stations

AO3 Analysis

2 marks for **developed** analysis L2 AN

1 mark for **limited** analysis L1 AN

- If the workforce is unhappy about a change in work practices though it might reduce costs in the short run, it may be detrimental if a demotivated workforce affects the quality of production.
- If there is strong trade union membership then strike action may occur if demands are not met – this would affect image, stop production, delay deliveries.
- Good relationships with employees would improve morale and motivate – lead to improved productivity and lower staff turnover
- Skilled employees ensure that the business is able to locate and extract the raw materials (oil) thus ensuring sales revenue and profits.

6(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

A judgement/conclusion is made as to the view that the main reason for new business failure is the pursuit of growth too quickly. Such judgements/conclusions may be made at any point in the essay, not just in a concluding section.

- A judgement is made that there are a number of factors that impact on the importance of employees as stakeholders such as how strong trade unions are, how skilled they are and how easy it is to find new employees.
- If employees are easy to recruit i.e. unemployment is high, then employee’s importance might not be too significant.
- Business might place more importance on keeping shareholders happy with dividends.
- A judgement is made that most businesses need to balance the needs of all stakeholders for a successful business especially a business as large and complex as those in the oil and gas primary sector.
- A judgement is made that in the modern era local communities are more willing to protest if their local community will potentially be polluted and the resulting negative impact in the news. This however may depend on which country the business is operating in.
- A judgement is made that pressure groups are becoming more visible and any business would be foolish not to take them seriously as the impact on brand image and the ability to operate can be significant especially in light of global warming.
- A judgement is made to that very often compromises need to be made in business with negotiations occurring with all stakeholder groups.
- How important are other stakeholders such as shareholders, local communities, suppliers, governments?

Accept all valid responses.

1(a)(i)

Identify <u>one</u> feature of a private limited company.

Indicative content

Identification of a feature ✓ may include:

- Owned by shareholders
- Cannot sell shares on the open market / stock market
- Sell shares for family/friends
- Can raise extra capital by selling shares
- Limited liability
- Continuity of operations
- Legal personality
- Incorporation

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

Do not reward vague points that apply to any private sector organisation, including a private limited company, e.g. not owned by government.

1(a)(ii)	**Explain the term *customer (market) orientation***

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 customer orientation [K] will include (max 1 mark):
- Knowledge of customer, including:
  - Purchaser/buyer (accept consumer/end-user/target audience)
  - Who they sell to
  - Demand-based (accept demand)

OR
- Knowledge of orientation, including:
  - Focused on customer/purchaser/buyer/consumer/end-user/market
  - Customer at the heart/centre
  - Satisfying their needs
  - Outward looking approach

AO2 Application
Explanation of customer orientation [APP] will include (1 mark):
- Knowledge of customer, including:
  - Purchaser/buyer (accept consumer/end-user/target audience)
  - Who they sell to
  - Demand-based (accept demand)

1(a)(ii)

AND
- Knowledge of orientation, including:
  - Focused on customer/purchaser/buyer/consumer/end-user/market
  - Customer at the heart/centre
  - Satisfying their needs
  - Outward looking approach

Context applied to customer orientation [APP], including (max 1 mark):
- Any example of customer orientation, including:
  - Putting the customer at the centre of decision making
  - An example of a customer orientated decision
  - Methods of identifying customer wants/needs, e.g. customer feedback / specific requests on NS's blog / sales data
  - Benefit of customer orientation, e.g. increased customer satisfaction, market leadership

Accept all valid responses.

Exemplar and annotations	Mark	Rationale
Buyers [K] are at the centre of operations [APP]. By responding to customer requests on its blog [APP] NS was able to decide what products to expand its range with.	3	An answer which starts with the knowledge and then applies it to customer demand and NS.
Basing product decisions [K] on purchaser demand [APP]. A business could decide which products to make [APP], in response to market research.	3	Again, knowledge first, followed by application to a decision (production) and to the demand (market research data).
Focused [K] on the buyer [APP].	2	Clear knowledge. Some application
Managers think about purchasers' needs [K].	1	Not a perfect definition, but enough to award the knowledge mark. No attempt to apply.
It is about choices that have to be made by a business, for example how to allocate resources.	0	No knowledge of customer orientation. Too vague.

1(b)(i)	**Refer to Table 1.1. Calculate NS's capacity utilisation in 2024.**

Indicative content

Rate of capacity utilisation = $\dfrac{\text{Current output level}}{\text{Maximum output level}} \times 100$ (1 mark – formula only)

NS capacity utilisation = $\dfrac{145\,000}{150\,000} \times 100$ (1 mark – use of correct figures in formula)

Answer = **96.67(%)** or **96.7** or **97** (3 marks – correct answer no working or % needed)

OFR applies

Exemplar and annotations

Marks		
3 marks	Correct answer (including minus) **96.67(%) or 96.7 or 97**	**Working and % do not matter.** **Must be three** ✓ to denote the three marks.
2 marks	**Two** of the following: • Correct formula • Correct identification of figures **OR** An incorrect answer with one mistake allowing OFR for final stage. **OR** Correct workings, but the final answer is incorrectly rounded	To award two marks, there must be • Two ✓ and a ✗ **OR** • One ✓, one ✗ and one [OFR]

1(b)(i)

Marks		
1 mark	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 ✗

1(b)(ii)

Explain <u>one</u> possible disadvantage to NS of high capacity utilisation.

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
Identification of a disadvantage of high capacity utilisation [K] (max. 1 mark), including:
- Pressure on employees to work at full/near capacity constantly (accept anxiety / stress / need to work overtime)
- Pressure to keep employees motivated
- No margin for production errors / scheduling mistakes
- Cannot accept increased/additional orders
- No time for maintenance of machinery / machines break down a lot
- Over-production (accept inventory going off before it can be sold)
- Low inventory of inputs/raw materials / run out of materials
- No space left for finished product
- Not sustainable in the long-term

AO2 Application
- Explanation of a disadvantage of high capacity utilisation [APP] (max 1 mark), including:
- Pressure on employees to work at full/near capacity constantly – increased employee absenteeism / demotivation / increased labour turnover – reduced productivity long-term

1(b)(ii)

- No margin for production errors / scheduling mistakes – may lead to customer dissatisfaction due to lower quality
- Cannot take on increased/additional orders – may lead to customer dissatisfaction / customers may go to competitors who are able to accept increased/additional orders
- Machines break down a lot – no output

Context applied to NS [APP] (max 1 mark), including:
- Answer to **Q1(b)(i)** (OFR)
- Market leader for natural hair care
- Five years since John's investment
- Sold in major retailer
- Private limited company operated as a social enterprise
- Focuses on customer (market) orientation
- Aim to donate to local charities and improving gender equality in the workplace

Accept all valid responses.

Exemplar and annotations	**Mark**	**Rationale**
A disadvantage would be high pressure on employees [K], due to lack of spare capacity [APP] because NS is working at 97% capacity [APP].	3	High pressure is a reasonable factor, explained in the specific context of NS by using the data in Table 1.1.
There is insufficient time for maintenance [K], as machines are always working [APP] which could cost NS the title of market leader [APP].	3	Lack of maintenance time is [K] and there are two specific pieces of context based on this so two [APP].
NS is market leader [APP] and capacity utilisation is already at 97% [APP] so NS may have to refuse other large orders [K].	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].

1(b)(ii)

Exemplar and annotations	**Mark**	**Rationale**
There is no margin for errors in production [K] to its major retail customers [APP].	2	No margin for error is [K]. The context to major retail customers is reasonable [APP], but only one point of application.
Regular customers cannot increase their orders [K] if demand increases which could be a huge opportunity cost in terms of future sales. [NAQ]	1	Cannot increase orders is a factor. The rest of the answer is not applying it to the context, so [NAQ] (Not Answering Question).
Capacity utilisation is the proportion of maximum output capacity currently being achieved, currently 97%. It shows the total possible sustained output of a business in a given time period. It is a major factor in determining the operational efficiency of a business which in this case is very high [TV].	0	Although there is some relevant context, there is no knowledge of a factor, so no marks can be awarded.

1(c)

Analyse <u>two</u> selection methods that NS could use to choose a new Marketing Manager.

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 Method 1 in the left hand side column, method 2 in the right hand side column

1(c)	**Indicative content** **AO1 Knowledge and understanding** Identification of a method of selection (max 2 K s), including: • Curriculum vitae (CV) • Résumé • Application forms • Interviews • References • Testing • Assessment centres • Role play • Presentations • Appraisal records *Note: A selection method is about the candidate, rather than the process the employer uses, e.g. shortlisting, screening or sifting.* **AO2 Application** *Max one APP for application in the first selection method and max one APP for application in the second selection method.* Application of the selection method to NS for the new Marketing Manager (max 2 APP s), including: • Market leader for natural hair care • Five years since John's investment • Sold in major retailer • Private limited company operated as a social enterprise • Focuses on customer (market) orientation • Aim to donate to local charities and improving gender equality in the workplace • Expanded its range slowly based on customer feedback, specific requests on its blog, and sales data. • NS products are now sold in major cosmetic retailers

1(c)	**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 or a two-sided analysis.* • Curriculum vitae shows the applicant has required skills; reduces training costs / increases productivity – increasing profitability • Application forms show required experience; all information is on the form so managers can save time when selecting candidates – this time can be used to make other operational decisions • Interviews show understanding of aims; candidate understands what the business is aiming to achieve to do – which helps the aims to be met • References provide proof of experience; improves customer service leading to customer satisfaction – increased market share Accept all valid responses. **Exemplar and annotations**

AO1 Knowledge	AO2 Application	AO3 Analysis
Curriculum vitae K.	Proves experience of working in a customer orientated industry APP	Enabled trust in candidates' abilities which can be used in promotion AN to approach more cosmetic retailers DEV.
Assessment centres K	Can check whether values align with the values of the social enterprise APP	To continue to improve gender equality and avoid costly AN marketing mistakes from a lack of knowledge and experience. Cost reduction will lead to increased profits DEV.

1(d) **Evaluate the most likely reason for conflict to arise between the owners of NS**

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 likely reasons for conflict to arise (max 2 K s), may include:
- Aims / objectives / vision / mission
- Idea / suggestions
- Personal disagreements (brought into the workplace)
- Communication
- Speed of expansion
- Cultures
- Leadership styles / power
- Choice of employees
- Part-ownership / loss of control
- Change of business ownership, e.g. move from private limited to public limited company

1(d)

- Finance
- Personality (clash) / morale
- Experience / job roles
- Location

AO2 Application

Limited application applies knowledge of NS aims and objectives and/or stakeholder groups once.
Developed application + applies knowledge of NS aims and objectives and/or stakeholder groups twice.

- Market leader for natural hair care
- Five years since John's investment
- Sold in major retailer
- Private limited company operated as a social enterprise
- Focuses on customer (market) orientation
- Aim to donate to local charities and improving gender equality in the workplace
- Use of data from Table 1.1
- NS expanded its range slowly, based on customer feedback, sales data and specific requests on its blog
- NS products are now sold in major cosmetic retailers
- John's main aim is to increase long-term profits to maximise return on investment

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.

- Aims/objectives; differing objectives may lead to fewer charitable donations – reduce marketing opportunities
- Idea/suggestions; longer decision making due to disagreements – competitors launch a new product before NS
- Communication; employees are given different instructions by different owners causing employee confusion and productivity reductions – leading to less profits
- Speed of expansion; one owner wants quicker expansion which the other owner does not want, leading to inefficiency – reducing profits
- Cultures; the culture of the two owners differ leading to inefficiency – increasing costs
- Choice of employees; the orientation may be lost leading to poor decision making – less profit
- Loss of control; the original owners' aims may not be considered in decision making – reducing customer satisfaction

Note: Accept answers about an impact on either the owners or NS.

1(d)

AO4 Evaluation

Limited evaluation – an unsupported judgement and/or weak attempt at an 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 .

- Relative importance of aims and objectives – are other issues more important, e.g. potential personal income, the opportunity to take the brand to an international market
- The likely impact on the business's performance / achievement of aims and objectives
- The likely impact on different stakeholders
- A judgement on the most likely reason for conflict between the owners of NS

Accept all valid responses.

Exemplars for awarding evaluation

L1 (limited supporting evidence)	**L2 (developed supporting evidence)**	**L3 (developed supporting evidence with context)**
The most likely reason is the differing aims of the owners.	The most likely reason is the differing aims of the owners, increasing the time to make decisions.	The most likely reason is the differing aims of the owners, increasing the time to make decisions, leading to the loss of market leadership.
NS has grown very quickly which could cause the greatest conflict.	NS has grown very quickly which could cause the greatest conflict. This could lead to diseconomies of scale.	NS has grown very quickly which could cause the greatest conflict. This could lead to diseconomies of scale which could lead to reduced long-term profits disappointing John.