2(a)

Define the term *employee morale*.

Indicative content

Responses may include:

AO1 Knowledge and understanding

CLEAR UNDERSTANDING (2 marks)

- An employee's level of satisfaction towards their job / enjoyment in their work / desire to work / enthusiasm to work / committed to work / sense of health and emotional wellbeing / level of motivation at work / positive mindset / attitude at work (2)

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

PARTIAL UNDERSTANDING (1 mark)

- How an employee feels about the workplace (1)
- Having values (1)

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

Accept all valid responses.

2(b)

Explain <u>one</u> method of paying employees.

Indicative content

Responses may include:

AO1 Knowledge and understanding
1 mark for identifying ONE method of paying employees.

- time based
- salary
- piece rates
- commission
- bonuses
- profit sharing
- performance-related pay
- fringe benefits

AO2 Application
2 marks for DEVELOPED application/explanation of ONE method of paying employees.
1 mark for LIMITED application/explanation of ONE method of paying employees.

- employees are paid an agreed amount for each hour they work; the longer they are at work, the more they get paid
- an agreed annual amount divided into equal monthly payments; does not depend on hours worked or items produced
- employees are paid a set amount for each product they produce; the more they produce, the more they earn
- payment based on quantity (or value) of each item sold to encourage sales staff to persuade customers to buy
- addition to basic pay, based on individual or team performance in contributing to agreed targets
- employees receive some part of the profit made by the business, in addition to their regular pay
- paid to employees who meet or exceed targets agreed during appraisal
- perks or extras that are not cash payments but are of financial benefit to the employee e.g. use of company car, health insurance

Accept all valid responses.

1(a)(i)

Identify <u>one</u> stage of the transformational process.

Responses include:
The stages of the transformational process:

- Inputs
- Adding value / production / manufacturing / operations / process
- Outputs

Do not accept examples of inputs and outputs

1(a)(ii)

Explain the term *multinational business*.

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 multinational businesses (max 1 mark).
Must be knowledge that shows clear distinction between a national and international business including:
- Capital in more than one country
- Operates in more than one country

1(a)(ii)

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

- Any exemplification of a multinational business (not just naming a MNC)
- A business might have production factories in country F and another country
- Can take advantage of lower cost production in low-income countries
- Benefits of lower transport costs and better market information about consumer tastes etc
- Can bring the business closer to their main markets
- Can take advantage of relatively weak government restrictions.
- May avoid import restrictions by producing in the local country.
- Gain access to natural resources which might not be available in their base country.
- Communication links with headquarters may be poor.
- Language, legal and culture differences could make communications difficult.
- Coordination with other plants in the multinational group will become more difficult.
- Skill levels of the local employees may be low, requiring substantial investment in training programmes.

Do not expect, but reward
- Can take advantage of comparative/absolute advantage in countries
- To gain economies of scale

Accept all valid responses.

1(a)(ii)

Exemplar and annotations	**Mark**	**Rationale**
A business with capital in more than one country K . For example, a business that has factories in two countries APP to take advantage of lower production costs abroad APP .	3	Clear distinction between MN and international/national business. Example of factories in two countries and a benefit.
Headquarters in one country, but with operating branches in another K . This can allow the business to operate within other markets APP to reduce transportation costs APP .	3	Knowledge of an MNC and a reason and a benefit.
Own shops in two or more countries K so that it can take advantage of lower transportation costs APP .	2	Distinction shown by shops in more than one country (capital) and understanding of a feature of MN.
Operating in different countries K by selling goods abroad.	1	A definition, but 'selling abroad' is an international business, not a multi-national.
A business that sells in other countries.	0	No credit – this is an international business.

1(b)(i)

Refer to Fig 1.1 and other information. Calculate the combined total number of potential consumers who would prefer lemon or strawberry flavoured water.

Formula:
Number of potential customers = number who prefer lemon + number who prefer strawberry (1 – formula may be inferred by correct use of numbers)

Calculation:
34% of 8000 = 2720 (1)
28% of 8000 = 2240 (1)

2720 + 2240 = 4960 (1 – OFR applies)

OR

34% + 28% = 62(%) (1)
62% of 8000 (1)

= 4960 (1)

Ans = 4960 (3 marks)

1(b)(i)

Examples and annotations

Marks Awarded	**Explanation**	**Annotations**
3 marks	Correct answer **4960**	**Working and $ do not matter.** **Allow one** ✓ to denote the three marks next to correct answer.
2 marks	**Two** of the following: • Correct formula • Correct calculation of number who prefer lemon (2720) • Correct calculation of number who prefer strawberry (2240) **OR** An incorrect answer with one mistake allowing OFR for final stage.	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 calculation of number who prefer lemon (2720) • Correct calculation of number who prefer strawberry (2240)	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> reason why TRA uses sampling.

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 reason why a business uses sampling K (max 1 mark), including:

- Cheaper/low cost
- Quicker/less time
- More representative

AO2 Application

Explanation of a reason why a business uses sampling APP (max 1 mark), including:

- Explanation of how this affects market research
- More practical, for example than asking the entire population
- Opportunity cost

1(b)(ii)

Context applied to TRA (max 1 mark), including:

- Quaternary sector business
- Market is to provide social media data (vast amounts of data)
- To food manufacturers in country F (large industry)
- TRA is the market leader in country F to provide this data
- Market has grown by over 40% over the last year
- Sample size is 8000 potential consumers
- 65 researchers
- All work from home
- Use of Fig 1.1

Accept all valid responses.

Exemplar and annotations	**Mark**	**Rationale**
Cheaper which keeps the cost of market research low by only asking 8000 potential consumers .	3	A reason identified, explained and in context, so all 3 marks.
Faster to find out Lemon is the most preferred flavour .	2	A reason identified, but not explained. The context about TRA/DF is fine.
Makes it cheap for TRA.	1	Identification of a reason, but no explanation or context. Names are not enough for context.
It allows TRA to find out information about the market. This means that it can let DF know that Lemon is the most preferred flavour and DF is likely to be able to sell more products.	0	This is a reason to use market research – not sampling.

1(c)

Refer to Fig 1.1 and other information. Analyse <u>two</u> reasons why the data collected for DF may not be reliable.

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

1(c)

Responses may include:

AO1 Knowledge and understanding – reasons why data collected may not be reliable, including:
Identification of a reason why market research data may not be reliable, including:
- Bias
- Sample size
- Sample not representative of the market
- Wrong/poor questions
- Wrong media used
- Human error
- Poorly defined objectives
- Time lag between research and implementation

This is not secondary market research, so do not credit answers about why secondary market research may not be reliable. However, answers which suggest the data may have changed (time lag) are acceptable.

AO2 Application
Application of the reason to DF, including:
- TRA is the market leader in providing social media data to food manufacturers in country F
- Market has grown by over 40% over the last year
- DF specialises in non-alcoholic drinks
- DF is a multinational business
- TRA sampled 8000 potential customers
- Sampled on social media
- Asked about favourite fruity flavours
- Use of data in Fig 1.1
- TRA employs 65 researchers
- All of TRA's researchers work from home
- TRA's workers have poor motivation
- TRA has high labour turnover
- Suggestion that some TRA employees are not working very hard.

1(c)

AO3 Analysis
Limited analysis of a reason why market research data may not be reliable – developed analysis, including:
- Bias; may mean that potential customers are persuaded to give a wrong answer leading to launching the wrong product – low sales.
- Sample size; not enough people asked which may mean it launches the product with few sales – leading to a loss.
- Sample representation; not enough different views sought leading to the wrong product being launched – no profit.
- Wrong/poor questions; potential customers may not know what is being asked, leading to the product not being purchased – makes a loss.
- Wrong media used; if the customers do not tend to use that medium then the results will not transform into sales – leading to it not making a profit.
- Human error; if the results are inaccurate this could lead to the wrong products being launched – ruining the brand image of the business.
- Poorly defined objectives; if the reason for the research is unclear this can lead to the questions not representing what the business needs to know – leading to launch of the wrong product and weak sales.

Accept all valid responses.

Exemplar and annotations

AO1 Knowledge	**AO2 Application**	**AO3 Analysis**
The wrong questions were asked,	Of the 8000 potential customers,	Which could lead to DF launching the wrong flavour leading to lower sales.
Sampling bias.	By only asking young people about their favourite fruity flavour,	So the flavours only appeal to the young, which may lead to lower sales of the drink and therefore decrease DF's profit.

1(d) **Evaluate the most effective way for TRA to improve the motivation of the home working employees.**

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(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.

1(d)	Responses may include: **AO1 Knowledge and understanding** Knowledge of ways to improve motivation (max 2 marks), including: • Payment (financial) methods: time based, salary, piece rates, commission, bonuses, profit sharing, performance-related pay, fringe benefits • Non-financial motivators: training, opportunities for promotion, development, status, job re-design, team working, empowerment, participation, job enrichment • Use of the main motivation content theories (Taylor, Mayo, Maslow, Herzberg and McClelland) and motivation process theory (Vroom). **AO2 Application** Application to TRA , including: • TRA is the market leader in providing social media data to food manufacturers in country F • Market has grown by over 40% over the last year • Samples using social media • TRA employs 65 researchers • High speed internet connection • TRA's workers have poor motivation • TRA has <u>high</u> labour turnover • Suggestion that some TRA employees are not working very hard. • Data from Fig 1.2 – I hate being so isolated – I never get to speak to any other employees. – I have to use my own electricity, and the cost has doubled in the last two years. – I know some employees are not working very hard, but they get paid the same as me. It's not fair!

1(d)	**AO3 Analysis** Limited analysis of ways to improve motivation – developed analysis , including: • Payment methods: may increase costs – however may make employees work harder for higher pay, leading to improved productivity. • Non-financial methods; may be less cost or free – leading to higher productivity without impacting the costs of the business. • Content theories: likely to improve working conditions for the employees leading to increased productivity – however may have a significant cost increase leading to lower profit. • Process theory: increased productivity for workers who expect increased rewards – however if the employees do not believe the promises, then this may increase costs for no benefit. **AO4 Evaluation** Limited evaluation of the most effective way to improve motivation – developed – developed in context , including: • Relative importance of motivation to TRA – how important is the productivity of employees – likely to be highly important due to the quaternary nature of the business. • Choice of method depends on; cost of method, likely increases in productivity, finance available, future forecasts in market changes, how skilled the researchers job actually is and what training is involved. • The impact of the chosen motivation method(s) and the impact of poor motivation / high labour turnover. • The extent to which this is a matter of working from home and is inherent in the whole country, as opposed to just TRA employees. • A judgement that other issues may be more important than motivation of the employees. *A valid judgement must identify one way to motivate the employees (a 'depends upon' may include more than one because it is not a judgement as such). If the candidate gives more than one judgement, only reward the best judgement and put SEEN next to the other(s).* Accept all valid responses.

1(d)	**Exemplars for awarding evaluation** **Evaluate the most effective way for TRA to improve the motivation of the home working employees.**

L1 EVAL (limited supporting evidence)	**L2 E (developed supporting evidence)**	**L3 EE (developed supporting evidence with context)**
Money is the most effective way.	Money is the most effective way, because it will allow all of TRA's employees to fix the issues which they are complaining about.	Money is the most effective way, because it will allow all of TRA's employees to fix the issues which they are complaining about, such as their rising electricity bills.
TRA should use teamworking as it is the best solution.	TRA should use teamworking as it is the best solution because it will motivate the employees, without adding significantly to the costs of the business.	TRA should use teamworking as it is the best solution because it will motivate the isolated employees, without adding significantly to the costs of the business.
The most effective way depends on the type of employees at TRA.	The most effective way depends on the type of employees at TRA. If the employees are Theory X, then money is more likely to be the best way. However, if they are Theory Y, then teamworking may be better.	The most effective way depends on the type of employees at TRA. If the employees are more concerned about their electricity bills, then money is more likely to be the best way. However, if they are more concerned about being isolated, then teamworking may be better.

1(a) **Define the term *job enrichment.***

Indicative content

Responses may include:

AO1 Knowledge and understanding

Clear understanding
- Job enrichment involves increasing the range/ interest/challenge/responsibility/complexity of jobs to further motivate an employee (2)
- Occurs when employees' jobs are redesigned to provide them with more challenging and complex tasks (2)

Partial understanding
- Give employees different work to do (1)

Accept all valid responses.

1(b)

Explain <u>one</u> disadvantage to a business of using empowerment to motivate employees.

There are 3 marks for this question:

1 mark for K

2 marks for APP

Indicative content

Responses may include:

AO1 Knowledge and understanding

1 mark K for identifying **one** disadvantage of using empowerment to motivate employees

- Employees lack ability/experience to respond
- Decisions are poorer
- Business is less efficient
- Employees become de-motivated
- Employees more stressed
- Some employees may leave.
- Empowerment may not work/may not last

1(b)

AO2 Application

2 marks for **developed** APP of the disadvantage given

1 mark for **limited** APP of the disadvantage given

- Employees may not be capable of taking more control of their work – might lead to de-motivated employees.
- Empowerment may mean decisions are made by less experienced and less expert personnel – increasing the number of mistakes made and increasing risk.
- May lead to decreased efficiency – autonomous employees may work independently and decide to work more slowly and/or work at the pace of the slowest – less collaboration and teamwork.
- Relationships between managers and employees become blurred – boundaries of authority broken in a flatter, more streamlined structure – managers may lose control.
- Employees stress increases, morale decreases in a preference for alternative forms of motivation.
- Empowered employees become more attractive to competitors (risk of staff poaching).
- May not work as some employees are only motivated by financial benefits e.g. bonus

Accept all valid responses.

1(a)	**Define the term *motivation.*** **Indicative content** **AO1 Knowledge and understanding** Clear understanding **A clear definition that merits 2 marks should include reference to two out of the following three 1-mark responses (an acceptable definition will NOT use the word '*motivate'*)** • The factors-such as stimulate, encourage, interest, leading to the desire of employees (1) providing a willingness to work, to work harder, to perform well, to achieve something, a goal/task or objective, become more efficient, more satisfied (1) with incentives such as money, promotion, job enrichment/rotation (1) Partial understanding • Why employees work hard (1) Accept all valid responses.
1(b)	**Explain <u>one</u> benefit for a business of motivated employees.** There are 3 marks for this question: 1 mark for K 2 marks for APP **Indicative content** Responses may include: **AO1 Knowledge and understanding** 1 mark K for identifying **one** BENEFIT for a business of motivated employees • Lower absenteeism • Better workplace culture • Employees work harder • Lower labour turnover • Employees more productive • Business objectives more likely to be achieved • Better customer service • Greater creativity/innovation (motivated employees more likely to challenge, explore more creative options and collaborate with colleagues) • Improved work relationships- more likely to accept change and less likely to take industrial action • Positive business reputation- motivated employees more likely to speak highly of the business • Higher sales- more profit

1(b)	**AO2 Application** 2 marks for **developed** APP of the benefit given 1 mark for **limited** APP of the benefit given • Disruption caused by absent employees is reduced • Positive work environment • Recruitment and training costs for the business are reduced • Better quality products or services due to more care being taken – a good standard of work – happier customers • Employees will match their personal objectives with those of the business. • Improved customer satisfaction leading to increase in repeat customers – less complaints – better reviews Accept all valid responses.

2(a)(i)

Identify <u>one</u> external source of finance.

Responses may include:

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

Accept all valid responses.

2(a)(ii)

Explain the term *business plan*.

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

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

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

Accept all valid responses.

2(a)(ii)

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

2(b)(i)

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

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

Calculation:

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

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

Ans = $1525 (3 marks)

2(b)(i)

Exemplar and annotations

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

2(b)(ii)

Explain <u>one</u> disadvantage to Kaia of using a commission payment method.

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

Responses may include:

AO1 Knowledge and understanding

Knowledge of a disadvantage of using commission K (max 1 mark), including

- Increases business costs
- Reduces profit/ profit margin
- Difficult to predict / forecast
- May lead to aggressive sales techniques
- May cause anxiety/stress/demotivation (for the employee)
- May prioritise short-term gains, over long-term business objectives
- May be difficult to recruit new workers
- May cause employees to compete with one another
- Paid from revenue, not profit (may need to be paid even if PB does not make a profit)

AO2 Application

Explanation of a disadvantage of using commission payment method APP (max 1 mark), including:

- Increases business costs – as the business increases revenue, commission also increases
- Difficult to predict / forecast – which can mean that PB may not be able to calculate the break-even point
- May lead to aggressive sales techniques – as salespeople push to increase their own income

2(b)(ii)

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

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

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

Accept all valid responses.

2(c)

Analyse <u>one</u> advantage and <u>one</u> disadvantage to Kaia of using job production.

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

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

2(c)

Responses may include:

AO1 Knowledge and understanding

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

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

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

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

AO2 Application

Application of an advantage or disadvantage to PB, including:

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

AO3 Analysis

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

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

2(c)

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

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

Accept all valid responses.

Exemplars and annotations

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

2(d) **Evaluate the most likely reason for Kaia's objectives to change over the next five years.**

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

2(d) Responses may include:

AO1 Knowledge and understanding

Knowledge of why business objectives may change over time (max 1 mark), including:
- As the business grows
- If the previous objective has been met
- As the business declines
- As the business maintains
- As the market changes
- As competitors act / react
- When aims / vision / mission changes
- As the business environment changes (not required at AS level, but rewarded) – SLEEPT

AO2 Application

Application to PB (max 2 marks), including:
- Kaia has a university degree in textile designs
- Kaia thinks she has entrepreneurial qualities
- Sole trader
- Current objective to break even
- Blankets personalised with a picture
- Picture supplied by customer
- Customers design their own blanket (customisable size and picture)
- Many customers buy the blankets as gifts for special occasions (birthdays, holidays etc.)
- Being promoted by a social media influencer
- Use of data in Chart 2.1
- Thinking of relocating PB

AO3 Analysis

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

2(d)

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

AO4 Evaluation

Limited valuation of the most likely reason why objectives may change EVAL – developed E – developed in context EE , including:

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

Accept all valid responses.

2(d)

Exemplars for awarding evaluation

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