A-Level Business: **w25 12**

4	**Analyse <u>one</u> reason why a business might hold low levels of inventory.** **NOTE: No marks can be awarded if a valid reason is not given.** **Indicative content.** Responses may include: **AO1 Knowledge and understanding – 1 mark for identifying ONE reason why a business might hold low levels of inventory** • A business needs to avoid too high costs • Low inventory levels avoid many costs • Business may not afford high levels of inventory • Business operating JIT – no need for inventory • Concern for cash flow management • Concern for high profit • Avoiding waste
4	**AO2 Application – 2 marks for DEVELOPED application/explanation of ONE reason -put ticks in body of script.** **– 1 mark for LIMITED application/explanation of ONE reason – put tick in body of script.** • Too high costs include storage damage, theft, costs • Businesses may be able to avoid these costs • Opportunity cost possibilities • Low inventory costs provide business flexibility • Some businesses may have little choice of high or low inventories • Perishable goods become out of date **AO3 Analysis – 2 marks for DEVELOPED analysis of ONE reason – put ticks in body of script** **– 1 mark for LIMITED analysis of ONE reason – put tick in body of script.** • The avoidance of costs involved in holding high levels – storage costs – obsolescence costs – spoilage, theft, damage, shifts in demand etc. • Opportunity cost of high levels – limitation of business flexibility. • Less pressure on cash flow and profitability. • Business might be involved in specialised work requiring only low levels of inventory. • Business (new)might only be able to afford a low level of inventory. • JIT inventory opportunities may exist that allows low levels to be carried. • Wasted goods have to be thrown away costing money and reducing profit Accept all valid responses.

A-Level Business: **w25 23**

2(a)(i)	**Identify <u>one</u> recruitment method.** **Indicative content** Identification of a method may include: • job advertisements • employment agencies • online recruitment • internal / external recruitment • job description • person specification • headhunting • advertising media for recruitment, e.g. newspapers, websites, word of mouth, internal noticeboard, intranet Do not allow selection methods, e.g. curriculum vitae, résumé, application forms, interviews, references, testing, assessment centres. *If more than one answer is given, only mark the first, reading from top left to bottom right.* Accept all valid responses.

2(a)(ii)

Explain the term cash flow.

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.

AO1 Knowledge and understanding
Knowledge of cash flow may include:
- The sum of cash payments into a business less the sum of cash payments out of a business
- Inflows and outflows
- Into and out of the business
- Receipts and payments
- Money / notes / coins / funds / finance

2(a)(ii)

AO2 Application
Limited application applies knowledge of cashflow to a business context.
Developed application - applies knowledge of cashflow to a business context.
- Who the cash flow is from / to, e.g. customers, suppliers, lenders
- Liquidity / solvency
- Working capital
- Prediction / forecast
- Opening / closing balance
- Different to profit
- Benefits of producing a cash flow forecast, e.g. take preventative action
- Uses of a cash flow forecast, e.g. predict shortfalls, apply for finance, business plans
- Examples of what cash may be used for, e.g. bills, staff wages, electricity, pay debts
- Example from a business context

Accept all valid responses.

Exemplar and annotations	**Mark**	**Rationale**
Cash in and out - measures the business's ability to pay debts and the solvency of the business.	3	The answer shows knowledge by the reference to cash in and out. There is an explanation of how it measures the ability to pay debts which is developed by the reference to solvency.
Money into and out of the business - It measures the liquidity of the business.	2	Two marks. The first for knowledge and the second mark for application to liquidity.
The flow of cash receipts and payments –	1	A reasonable definition
The flow of cash –	0	Tautological

2(b)(i)

Refer to Fig 2.1. Calculate the percentage of PD's customers with positive feedback

Formula to calculate percentage:

Positive Respondents = $\dfrac{\text{Positive feedback}}{\text{Total feedback}} \times 100$ (1 mark – formula only)

Positive Respondents = $\dfrac{80+40}{800} \times 100$ (1 mark – use of correct figures)

Positive Respondents = 15 (%) (1 mark – correct answer (no % necessary)

Answer = 15 (%) (3 marks – correct answer (no working or % necessary)

2(b)(i)

Exemplar and annotations

Marks	**Answer**	**Rationale**
3 marks	Correct answer **15%**	**Working and % do not matter.** **Must be three** ✓ to denote the three marks. Correct rounding must be applied.
2 marks	**Both** of the following: • Correct calculation of total respondents (800) • Correct calculation of positive respondents (120) **OR** • An incorrect answer with one mistake allowing OFR for final stage. **OR** • A correct answer from an inverted formula (6.67 – OFR)	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 total respondents (800) • Correct calculation of positive respondents (120)	To award one mark, there must be: • One ✓ and two ✗
0 marks	No creditable content.	To award zero marks, there must be • One ✗

Question	Answer
2(b)(ii)	**Refer to Fig. 2.1 and other information. Explain one reason why this data collected for PD may not be reliable.**

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 one reason for data not being reliable (max 1 mark), including:
- Human error
- Lack of data standards
- Incomplete / outdated data
- Poor questionnaire design / poorly written questions / question construction
- Incorrect sampling
- Data collection issues
- Low response rates

2(b)(ii)

AO2 Application
Explanation of one reason for data not being reliable (max 1 mark), including:
- Human error–untrained employees enter the data incorrectly / different teams with inconsistent methods
- Lack of data standards–no rules of formatting / classifying data
- Incomplete / outdated data–data no longer reflects current opinions
- Poor questionnaire design / poorly written questions–leading questions / confusion
- Incorrect sampling–sample doesn't represent target customers
- Data collection issues–timing
- Low response rates–bias / length of questionnaire

Context applied to **PD** (max 1 mark), including:
- Mass market
- Market dominated by a few well-known brands
- Total market value is $5.3bn
- 17% share of market
- Pablo became Marketing Director in 2022
- Launched promotional campaign based on trending music on social media
- Used social media influencers
- Poor online feedback
- Sales volume decreased by 20% in a week and continued to fall
- Excess inventory in warehouses
- Drop in PD's share price
- Negative impact on cashflow
- Questionnaire completed by previous PD customers
- Data from Fig. 2.1
- 800 respondents

2(b)(ii)

Exemplar and annotations	**Mark**	**Rationale**
Low response rates K may lead to biased data APP affecting decisions to repair the damage to PD's brand APP .	3	Low response rates K , with further explanation to how it may affect the data APP The third mark is for reference to the context APP .
An incorrect sample size K of 800 customers APP .	2	Knowledge of a use and applied to the number of customers who completed the questionnaire.
Problems collecting the data K	1	Knowledge of a reason with no application
The data will be inaccurate, incomplete and misleading NAQ TV .	0	No reason why the data collected may not be reliable. This answer is a description of unreliable data and does not answer the question

Accept all valid responses.

2(c)

Analyse <u>two</u> possible costs to PD of holding inventory.

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.

First cost in the left-hand side column, second cost in the right-hand side column

2(c)

Indicative content

AO1 Knowledge and understanding
Knowledge of possible costs of holding inventory (max s), may include:
- Opportunity cost of holding stock
- Impact on working capital
- Labour cost
- Storage costs
- Risk of wastage / damage
- Depreciation
- Insurance

AO2 Application
Application of cost to PD, including:
- Mass market
- Market dominated by a few well-known brands
- Total market value is $5.3bn
- 17% share of market
- Pablo became Marketing Director in 2022
- Launched promotional campaign based on trending music on social media
- Used social media influencers
- Poor online feedback
- Sales volume decreased by 20% in a week and continued to fall
- Excess inventory in warehouses
- Drop in PD's share price
- Negative impact on cashflow
- Data from Fig. 2.1
- 800 respondents

AO3 Analysis
Limited analysis of cost of holding inventory – candidate shows one link in the chain of analysis.
Developed analysis of cost of holding inventory candidate shows two or more links in the chain of analysis or a two-sided analysis.

2(c)

Analysis may include:
- Opportunity cost of holding stock–space used to store stock could be used for production reducing potential output–lower revenue
- Impact on working capital–money / cash will be tied up in the stock–cannot pay suppliers
- Labour cost–reduced profit–lower shareholder dividends
- Increase storage costs–reduction in profit margins–reduction in share price
- Increase risk of wastage–spend time disposing of the waste–inefficiency
- Depreciation–reduces profits to reinvest–less future growth
- Insurance–increased expenses–reduced working capital

Accept all valid responses.

Exemplar and annotations

	AO1 Knowledge	**AO2 Application**	**AO3 Analysis**
Exemplar for one cost of holding inventory ***Annotations for the first cost should be placed in the left-hand margin.***	Insurance.	To reduce risk of disruption to operations to maintain PD's 17% market share.	Insurance will compensate PD if an incident destroys stock so it can maintain sales - satisfying customers.
Exemplar of a second cost of holding inventory ***Annotations for the second cost should be placed in the right-hand margin.***	Risk of wastage	Of the unsold mass market fizzy drinks .	Could lead to a reduction in profit and future expansion .

2(d)

Evaluate the importance of branding to the future success of PD.

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 branding (max 2[illegible]s), including:

- Creating a distinct identity / image
- Brand values
- A company's name and logo, visual design, slogan, jingle
- Making consumers feel good about supporting a company and establishing an emotional connection.
- Differentiates from competitors
- Influence purchasing decisions
- Customers identify with business / brand
- Brand personality
- Build trust / relationships

2(d)	**AO2 Application** Application of branding to PD, including: • Mass market • Market dominated by a few well-known brands • Total market value is \$5.3 bn • 17% share of market • Pablo became Marketing Director in 2022 • Launched promotional campaign based on trending music on social media • Used social media influencers • Poor online feedback • Sales volume decreased by 20% in a week and continued to fall • Excess inventory in warehouses • Drop in PD's share price • Negative impact on cashflow • Data from Fig. 2.1 • 800 respondents • Need to repair damaged PD brand from promotional campaign **AO3 Analysis** Limited analysis of the importance of branding to PD – candidate shows one link in the chain of analysis. Developed analysis of the importance of branding to PD – candidate shows two or more links in the chain of analysis. • Create distinct identity/image – maintaining customer base and repeat sales/loyalty–long term profitability • Name and logo conjure brand values–can attract/deter new customers–increase/decrease market share • Customers buy the brand regardless of quality–repeat customers–increased market share • Differentiates from competitors–attracts customers–increased market dominance • Influence purchasing decisions–increase revenue–increased profits • Customers identify with business / brand–building brand loyalty–long-term profitability • Brand personality–helps to differentiate and create a USP–customers pay a higher price • Build trust / relationships–increased reputation–increased market share

2(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. • The external impacts that affect the future brand image, e.g. new competitors or social trends • The relative importance of other elements of the marketing mix • Other factors that affect future success, e.g. financial management, competition, social trends • An evaluation on whether branding is important to PD's future success. Accept all valid responses. **Exemplars for awarding evaluation**

L1 (limited supporting evidence)	**L2 (developed supporting evidence)**	**L3 (developed supporting evidence with context)**
Branding is important to support PD's future success.	Branding is important to support PD's future success. Branding helps customer recognise PD's drinks amongst competing brands.	Branding is important to support PD's future success. Branding helps customer recognise PD's drinks amongst competing brands and therefore maintain a 17% share of the market.
Branding is not important to the future success of PD.	Branding is not important to the future success of PD. The taste of the drink is more important because customers will not buy a drink that they dislike the taste of, even if attractively branded.	Branding is not important to the future success of PD. The taste of the drink is more important because customers will not buy a drink that they dislike the taste of, even if attractively branded in the mass market.

3(a)	**Define the term *inventory re-order level.*** **Indicative content** Responses may include: **AO1 Knowledge and understanding** Clear understanding (2 marks) • The level/quantity of inventory that triggers a new order to suppliers (2) Partial understanding (1 mark) • The time to re-order inventory (1) • A decision to replenish stock (1) Accept all valid responses.
3(b)	**Explain <u>one</u> advantage to a business of holding buffer inventory.** 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 for identifying **one** advantage of holding buffer inventory A term used in logistics that describes a level of extra stock that is maintained to mitigate risk or stockouts caused by uncertainties in supply and demand. • Avoid stockouts • Allow continuous production • Meet customer demands, including unexpected demands • Meet bulk orders • Avoid lost sales • Protect against fluctuations in demand/market • Helps if there is damage to parts of inventory **AO2 Application** 2 marks for **developed** APP of the **advantage** given 1 mark for **limited** APP of the **advantage** given • Adequate buffer stocks allow businesses operations to proceed according to plan.

3(b)	• Protects against unforeseen variation in supply – supply chains are longer, more globalised with forces causing more frequent disruptions. • Compensates for forecast inaccuracies – a consistent demand changes suddenly – customer service is maintained through use of the buffer stock. • Avoids stockouts and keeps customer service and satisfaction levels high – keeps warehouse and supply chain running smoothly. • Allows a business to take advantage of bulk buying discounts and so reduce the cost of inventory. Accept all valid responses.

3(a)	**Define the term Just in Time (JIT).** **Indicative content** Responses may include: **AO1 Knowledge and understanding** Clear understanding **NOTE:** A clear definition that merits two marks should include reference to two out of the following three 1 mark responses: • The management of inventory (1) that ensures that new inventory arrives just when needed (1) removes the need for inventory to be held in storage until it is needed (1) Partial understanding • Where inventory is kept low (1) Accept all valid responses.
3(b)	**Explain <u>one</u> disadvantage to a business of using Just in Time (JIT).** 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 JIT • Production process can be delayed when supplies do not arrive or are late • Frequent small deliveries needed • More planning ahead with suppliers required • Small orders need to be processed • Suppliers need to be reliable • Could be expensive • No discounts for bulk orders- no economies of scale • Unable to respond to unexpected customer demand • Can lead to stockouts
3(b)	**AO2 Application** 2 marks for **developed** APP of the disadvantage given 1 mark for **limited** APP of the disadvantage given • Any failure to receive supplies or components on time – could lead to production delays. • Frequent small deliveries – could lead to an increase in delivery costs. • Small orders need to be processed – administration costs may rise. • Each order is likely to be small – lose out on bulk discounts. • Suppliers need to be reliable – if not could affect reputation • Could be expensive to implement for small firms – increase costs • May require investment in new technology • Could lose sales/ revenue/profit Accept all valid responses.