

2(a)(i)	Identify <u>one</u> external stakeholder of a business partnership. Responses may include: Knowledge of an external stakeholder of a partnership • Customers / consumers • Suppliers • Competitors • Government • Local community • <u>Potential</u> investors/owners • Banks <i>Do not accept owners, investors or shareholders, as these are internal stakeholders.</i> Accept all valid responses.								
2(a)(ii)	Explain the term <i>outsourcing</i>. <table border="1" data-bbox="188 607 1485 994"> <thead> <tr> <th data-bbox="188 607 842 689">AO1 Knowledge and understanding 1 mark</th><th data-bbox="842 607 1485 689">AO2 Application 2 marks</th></tr> </thead> <tbody> <tr> <td data-bbox="188 689 842 801"></td><td data-bbox="842 689 1485 801"> 2 marks Developed application of one relevant point to a business context. </td></tr> <tr> <td data-bbox="188 801 842 913"> 1 mark Knowledge of one relevant point is used to answer the question. </td><td data-bbox="842 801 1485 913"> 1 mark Limited application of one relevant point to a business context. </td></tr> <tr> <td data-bbox="188 913 842 994"> 0 marks No creditable response. </td><td data-bbox="842 913 1485 994"> 0 marks No creditable response. </td></tr> </tbody> </table> Responses may include: AO1 Knowledge and understanding Knowledge of outsourcing K (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 <i>Limited application</i> APP <i>applies knowledge of outsourcing to a business context</i> <i>Developed application</i> APP - APP <i>applies knowledge of outsourcing to a business context</i> • 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.	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 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.								

2(a)(ii)	Exemplar and annotations	Mark	Rationale
	Another business producing for you ☐ K . To increase capacity ☐ APP by using the other business's facilities: ☐ APP .	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: ☐ K , such as outsourcing HR tasks ☐ APP if they can do it cheaper ☐ APP .	3	Knowledge of outsourcing, with an example of an outsourced task and a reason.
	Contracting another business to do a job: ☐ K such as marketing ☐ K	2	Knowledge of outsourcing and an example of an outsourced task.
	Using another business to do a business function ☐ K . 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 <i>Accept 16.67% adverse</i>	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.								
<table border="1"> <tr> <th data-bbox="185 168 804 248">AO1 Knowledge and understanding 1 mark</th><th data-bbox="817 168 1430 248">AO2 Application 2 marks</th></tr> <tr> <td data-bbox="185 248 804 360"></td><td data-bbox="817 248 1430 360"> 2 marks Developed application of one relevant point to a business context. </td></tr> <tr> <td data-bbox="185 360 804 472"> 1 mark Knowledge of one relevant point is used to answer the question. </td><td data-bbox="817 360 1430 472"> 1 mark Limited application of one relevant point to a business context. </td></tr> <tr> <td data-bbox="185 472 804 555"> 0 marks No creditable response. </td><td data-bbox="817 472 1430 555"> 0 marks No creditable response. </td></tr> </table>	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: K (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: APP (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.
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.								

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 K of areas where LAF is overspending APP leading to the adverse profit variance of \$650 APP .	3	A way identified, explained and in context, so all 3 marks.
To monitor the business K to decide if Drake should continue outsourcing APP .	2	A way identified, and in context for Drake/LAF.
To know how much money is left K	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.
<i>Annotate the first reason in the left-hand margin and the second reason in the right-hand margin</i> <i>Answers must be about the limitations of operating as a labour intensive business, not simply the limitations of managing/having labour.</i> Responses may include: AO1 Knowledge and understanding Identification of a limitation of operating as a labour intensive operation K, 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 APP , 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: AN – developed analysis DEV , 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.
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2(c)	Exemplar and annotations		
	AO1 Knowledge	AO2 Application	AO3 Analysis
	High wage costs K ,	of the five lawyers APP ,	Which will increase the <u>total costs</u> of the business AN leading to lower profit DEV .
	A slower service K .	Because LAF will be using five human lawyers APP ,	Which may reduce demand for LAF's services AN and therefore decrease the profit DEV .

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.

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

2(d)	Responses may include: AO1 Knowledge and understanding Knowledge of owner responsibilities: K (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 APP, 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.
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 the 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  (limited supporting evidence)	L2  (developed supporting evidence)	L3  (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.

1(a)(i)	Identify <u>one</u> quality an entrepreneur needs for success. Indicative content Identification of a quality  may include: • Ambitious / inner drive • Risk taker • Confident • Inquisitive • Adaptability / flexible • Resilience / persistence / determination • Innovative / creative • Communication • Leadership • Decision making • Builds trust If more than one answer is given, only mark the first, reading from top left to bottom right. Accept all valid responses.
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1(a)(ii)

Explain the term *working capital*.

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

Indicative content**AO1 Knowledge and understanding**Knowledge of working capital K will include (max 1 mark):

- Current assets minus current liabilities
- Money / cash / funds / finance (to run the business)
- Ability to run the business
- Day-to-day / general operations / current / short-term / immediate / trading

1(a)(ii)

AO2 ApplicationLimited application APP applies knowledge of working capital to a business context.Developed application APP - APP applies knowledge of working capital to a business context.

- Examples of short-term financial commitments, e.g. stock, salaries, utilities, suppliers, debts, financial obligations, bills etc.
- Reference to current ratio and/or acid test ratio (ideals of 2:1 or 1:1)
- Benefit of maintaining sufficient working capital, e.g. survival, avoid liquidation
- Ways to improve working capital, e.g. use of a bank overdraft
- Managing trade receivables, e.g. stopping/reducing trade credit to customers, debt factoring
- Managing trade payables, e.g. taking/prolonging trade credit from suppliers
- Example from a business concept

Accept all valid responses.

Exemplar and annotations	Mark	Rationale
The ability to pay short-term financial obligations K such as high interest on bank loans APP and avoid liquidation APP	3	An answer which starts with the knowledge and then applies it to SF (case mentions high-interest bank loans). Avoid liquidation (survival) is the second application.
Cash needed K to fund the day-to-day operation: APP such as paying staff salaries APP .	3	Again, knowledge first, followed by application to business operations (day to day) and includes an example (salaries).
Current assets minus current liabilities: K to measure the ability to pay day-to-day bills APP	2	Knowledge and explanation for one application mark.
It is a measure of the cash needed to operate K .	1	Not a perfect definition, but enough to award the knowledge mark. No attempt to apply.
The capital the business needs to work.	0	No knowledge of working capital. Tautological.

1(b)(i)	Refer to Table 1.1. Calculate the profit variance for SF in 2024. State whether the variance is favourable or adverse. Indicative content Profit variance = actual profit–budgeted profit (1 mark – formula only) Profit variance = 250 000–2 000 000 (1 mark – use of correct figures in formula) Profit variance = (\$) 1 750 000 adverse variance (1 mark – correct answer (must include adverse)) Answer = (\$) 1 750 000 adverse variance / 1.75 m adverse variance (3 marks – correct answer no working or \$ needed) must include adverse OFR applies
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1(b)(i)	Exemplar and annotations		
	Marks		
	3 marks	Correct answer (3) (\$)1 750 000 <u>adverse</u> or (\$)1.75 m <u>adverse</u>	Working and \$ and m do not matter. Ignore + or - Must be three ✓ to denote the three marks.
	2 marks	EITHER - Correct formula AND - Correct identification of figures OR - An incorrect answer with one mistake allowing OFR for final stage. Must have the correct variance stated for the answer given. OR - A correct variance (1.75 m) with no adverse (or incorrectly states favourable)	To award two marks, there must be - Two ✓ and a ✗ OR - One ✓, one ✗ and one OFR
	1 mark	One of the following: - Correct formula - Correct identification of figures in an incorrect formula	To award one mark, there must be: One ✓ and two ✗
	0 marks	No creditable content.	To award zero marks, there must be One ✗

1(b)(ii)

Explain one drawback to SF of using budgets.

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

Indicative content**AO1 Knowledge and understanding**Knowledge of a drawback of budgets: **1 K** (max. 1 mark), including:

- Only as good as the figures used
- Do not take into account actual market conditions / external factors
- Ignores qualitative factors
- Can be manipulated to show desired rather than realistic outcomes / bias
- Time consuming to research / predict data
- Can hinder flexibility / innovation
- Less accurate in unstable times / long-term predictions
- Risk of internal conflict / managers competing for resources

1(b)(ii)

AO2 ApplicationExplanation of a drawback of budgets: **1 APP** (max 1 mark), including:

- Only as good as the figures used—inaccurate data may lead to poor decision making
- Do not take into account actual market conditions—competitiveness
- Ignores qualitative factors—such as new managers/leaders/competitors
- Can be manipulated to show desired rather than realistic outcomes – biased
- Time consuming to research / predict data—opportunity cost of lost time which could be spent on more profitable tasks
- Can hinder flexibility—missed opportunities to increase market share / differentiate
- Less accurate in unstable times / long-term predictions—more suited to the short-term
- Risk of internal conflict / managers competing for resources—hindering teamworking

Context applied to SF: **1 APP** (max 1 mark), including:

- Private limited company
- Capital intensive business
- Bob is majority shareholder of SF
- Used internal (organic) growth
- The use of high interest loans to cover initial cashflow problems
- Rents fields from farmers
- Cost of maintenance team / 7 engineers salaries
- Data from Table 1.1
- Can increase revenue by using batteries to store electricity generated by solar panels
- Can sell electricity at peak times for premium prices
- Needs investment into battery technology
- Bob wants to retain control of SF
- Cost of renting new farmland and purchasing solar panels increased significantly in 2024
- ZB is a multinational battery manufacturer
- ZB wants to start a joint venture with SF
- ZB will insist that SF uses ZB batteries in all future solar farms if joint venture goes ahead

Accept all valid responses.

1(b)(ii)	Exemplar and annotations	Mark	Rationale
	A drawback is that the use of a budget is only as good as the figures used K , which could lead to inappropriate decision APP regarding SF's five solar farms APP .	3	Accurate of data is a reasonable drawback, explained in the specific context of SF by using data from the context.
	Budgeted figures are less accurate in the long-term K , as conditions are more likely to change which could affect SF's plans APP to form a joint venture APP .	3	Reduction in accuracy over the long term K which could affect the business's plans APP . This answer is then applied to SF for three marks in total.
	Future opportunities may be missed APP as budgets may hinder flexibility K such as using batteries to store electricity APP .	3	Although the APP appears first, it cannot be awarded until the K has been found. However, there is obvious K , so you can go back and award the APP .
	The budget ignores qualitative factors K such as new competitors who may affect future sales APP .	2	Ignoring qualitative factors is K . The answer includes a relevant example which is used to explain the drawback APP , but only one mark as no application to SF's context.
	It is time consuming to forecast data to produce the budget K .	1	Time consuming is a relevant drawback for K , but it hasn't been explained.
	SF has taken out high-interest bank loans to cover initial cash flow problems and so needs to use budgets TV .	0	Although there is some relevant context, there is no knowledge of a drawback to SF of using budgets, so no marks can be awarded.

1(c)

Analyse <u>two</u> limitations to SF of operating as a capital-intensive business.			
Level	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 4 marks
2			3–4 marks Developed analysis - Developed analysis that identifies connections between causes, impacts and/or consequences of two points. - Developed analysis that identifies connections between causes, impacts and/or consequences of one point.
1	1–2 marks - Knowledge of two relevant points is used to answer the question. - Knowledge of one relevant point is used to answer the question.	1–2 marks - Application of two relevant points to a business context. - Application of one relevant point to a business context.	1–2 marks Limited analysis - Limited analysis that identifies connections between causes, impacts and/or consequences of two points. - Limited analysis that identifies connections between causes, impacts and/or consequences of one point.
0	0 marks No creditable response.	0 marks No creditable response.	0 marks No creditable response.

Limitation 1 in the left-hand side column, Limitation 2 in the right-hand side column

1(c)	Indicative content AO1 Knowledge and understanding Knowledge of limitations of investing into capital intensive operations (max 10 marks), including: • High cost / expensive • Cost of financing • High maintenance costs • The need for skilled workers for maintenance • Need to train workers to use / maintain the capital equipment • The quick pace of technological change • Obsolescence of equipment • Reliance on machines that might break-down • Reduced employee motivation due to repetitive work • Lack of flexibility AO2 Application Max one 4 marks for application in the first limitation and max one 4 marks for application in the second limitation Application of the limitation of investing into capital intensive operations for SF (max 10 marks), including: • Private limited company • Bob is majority shareholder of SF • Used internal (organic) growth • The use of high interest loans to cover initial cashflow problems • Rents fields from farmers • Cost of maintenance team / 7 engineers salaries • Data from Table 1.1 • Can increase revenue by using batteries to store electricity generated by solar panels • Can sell electricity at peak times for premium prices • Needs investment into battery technology • Bob wants to retain control of SF • Cost of renting new farmland and purchasing solar panels increased significantly in 2024 • ZB is a multinational battery manufacturer • ZB wants to start a joint venture with SF • ZB will insist that SF uses ZB batteries in all future solar farms if joint venture goes ahead
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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.

Limitations

- High fixed costs–[the 25% increase in solar panels] may require unplanned sources of possibly expensive finance–may reduce capital for future investment
- Cost of financing the equipment–high interest payments will increase expenses–reducing profits
- High maintenance costs–increase cash outflows–threaten liquidity/survival
- Need for skilled maintenance staff–[7 engineers] may require above average wages to travel across country X–add to fixed costs and reduce profitability
- Solar panels may be inefficient in 10 years compared to newest products–higher costs of operation in comparison to competition – make SF less competitive
- Need to train workers to use the machinery / capital equipment–cost of training–reduced profits
- The quick pace of technological change–need to purchase upgraded machinery to maintain competitiveness–high cost
- Obsolescence of equipment–competitors may have newer equipment giving them a competitive advantage–reduced market share
- Reliance on machines that might break down–disruption / delays to production–dissatisfied customers
- Reduced employee motivation due to repetitive work–reducing efficiency–reducing profitability
- Lack of flexibility–production stopped whilst machines are reset to produce different products–inefficiency

Accept all valid responses.

Exemplar and annotations

AO1 Knowledge	AO2 Application	AO3 Analysis
The high costs of initial investment K -	Which could hinder Bob's wish to retain control APP -	As decisions will need to be shared as part of the joint venture AN - but it is a way of generating the additional finance needed DEV -
Obsolescence of fixed assets K -	Which could lead to profit reducing to below \$0.25 m -	May lead to increased costs each year to update the fixed assets - and make SF less profitable -

1(d)

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

1(d)	Indicative content AO1 Knowledge and understanding Knowledge of joint ventures (max 6 s), may include: - Two (or more) parties - Work towards a shared task/objective - Maintain distinct identities - Can be equity or non-equity based - Shared profits/losses/responsibilities - Pool resources/skills/experience/capabilities AO2 Application Limited application APP applies knowledge of growth to SF once Developed application APP + APP applies knowledge of growth to SF twice. - Private limited company - Capital intensive business - Bob is majority shareholder of SF - Used internal (organic) growth - The use of high interest loans to cover initial cashflow problems - Rents fields from farmers - Cost of maintenance team / 7 engineers salaries - Data from Table 1.1 - Can increase revenue by using batteries to store electricity generated by solar panels - Can sell electricity at peak times for premium prices - Needs investment into battery technology - Bob wants to retain control of SF - Cost of renting new farmland and purchasing solar panels increased significantly in 2024 - ZB is a multinational battery manufacturer - ZB will insist that SF uses ZB batteries in all future solar farms if joint venture goes ahead
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1(d)	AO3 Analysis Limited analysis AN – candidate shows one link in the chain of analysis. Developed analysis DEV – candidate shows two or more links in the chain of analysis. Is appropriate • Pool resources/skills/experience/capabilities–increased efficiency–improving overall profitability • Fast growth–generates more finance–less risk/cost of borrowing / interest • Maintain distinct identities–maintain brand/business name and reputation–support future growth Is not appropriate • Share profit/losses–lower profit than if worked on project alone–reduced funds for future growth • Loss of control of operations–may have to change aims and objectives–affecting decision making • Condition of joint venture if that SF uses ZB batteries–may not be the most appropriate type of battery–increase long term costs / decrease long term profit potential AO4 Evaluation Limited evaluation – an unsupported judgement and/or weak attempt at an evaluative comment EVAL Developed evaluation–supported judgement and/or reasonable evaluative comment E Developed evaluation in context–supported judgement in context and/or reasonable evaluative comment in context EE • Relative importance of control–are other issues more important, e.g. market share, economies of scale, specific industry/technology experience, ability to source batteries by SF • Choice depends on SF/Bob's long-term goals. Does he want to remain in sole control, does Bob want a partner to share the workload/risk. • Comparison with other ways to grow, e.g. merger. • The impact of external influences • Choice of partner • A judgement on whether a joint venture is the most appropriate way for SF to grow Accept all valid responses.
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1(d)

Exemplars for awarding evaluation

L1 EVAL (limited supporting evidence)	L2 E (developed supporting evidence)	L3 EE (developed supporting evidence with context)
A joint venture is the best way for SF to grow.	A joint venture is the best way for SF to grow. It will help Bob to quickly generate the extra capital needed to buy the battery technology.	A joint venture is the best way for SF to grow. It will help Bob to quickly generate the extra capital needed to buy the battery technology, and increase profitability by selling electricity at peak times for premium prices.
A joint venture is not the best way for SF to grow.	A joint venture is not the best way for SF to grow. Bob will lose the ability to make the key decisions.	A joint venture is not the best way for SF to grow. Bob will lose the ability to make the key decisions. Bob can retain control of SF as he wishes.

2(a)	Define the term <i>incremental budgets</i>. Indicative content AO1 Knowledge and understanding Clear understanding • Incremental budgeting is a budgeting process that involves developing a budget by making adjustments/changes to an existing or previous budget (2) Partial understanding • Setting this year's budget based on last year's budget (1) Accept all valid responses.
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2(b)	Explain <u>one</u> advantage to a business of using variance analysis 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 advantage of using variance analysis • Gives a business more control • Clarifies accountability in a business • Improves accuracy of budgets • Improves financial decision making • Identifies areas for improvement. • Allows business to compare their estimated costs with their actual costs • Allows planning • Shows how to allocate resources • More effective strategy
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2(b)	AO2 Application 2 marks for developed APP of the advantage given 1 mark for limited APP of the advantage given • Highlights areas of business needing attention • Helps in assessing management performance • Identifies potential problems early • Helps to monitor financial performance • Helps a business to budget more accurately in the future • Helps managers to respond to adverse or favourable variances • Identifies areas of over/under spending and spending not authorised • May lead to improved business efficiency • Helps to monitor success and failure • Helps to identify areas of underperformance • Helps strategic decisions/better planning • Provides fast financial information Accept all valid responses.
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Marks	Answer
2	Define the term 'sustainability'. Follow the point-based marking guidance at the top of this mark scheme and use Table A to give marks for each candidate response. AO1 out of 2 marks. Indicative content Responses may include: AO1 Knowledge and understanding • Production systems that prevent waste – by using the minimum of non-renewable resources. • Production levels that can be sustained in the future – by using renewable resources. • Production levels which have minimum impact on society – by creating minimum levels of waste. Accept all valid responses.

Answer	Marks
Explain <u>one</u> reason why a manufacturing business might take measures to improve the sustainability of its operations. Follow the point-based marking guidance at the top of this mark scheme and use Table B to give marks for each candidate response. AO1 out of 1 mark. AO2 out of 2 marks. Indicative content Responses may include: AO1 Knowledge and understanding - The identification of one appropriate reason why a manufacturing business might take measures to improve the sustainability of its operations, e.g. to improve company image, to access new markets, happier workforce, avoid pressure group activity, responding to legal controls. AO2 Application - To improve company image more people are becoming willing to value sustainable business activities – and to value and support eco-friendly practices, e.g. green consumerism. - To gain access to new markets where for example governments give preferential treatment to businesses – demonstrating sustainable practices, e.g. renewable energy. - A happier and more productive workforce and a potentially more productive one once a business has become greener and cleaner – using practices, e.g. responsible disposal of waste. Accept all valid responses.	
AO1	1
AO2	2