

Past-paper walk-through

Enterprise, business growth and size ■ 1.3

eXercise

Questions in this set

- 0450/12 N25 Q3 ■ 20 marks
- 0450/13 N25 Q2 ■ 20 marks
- 0450/22 N25 Q1 ■ 20 marks
- 0450/11 J25 Q1 ■ 20 marks
- 0450/22 M25 Q1 ■ 20 marks
- 0450/11 N24 Q2 ■ 20 marks
- 0450/21 N24 Q1 ■ 20 marks

Reading the mark scheme

- **B1** a mark that stands on its own – the point is either made or not.
- **M1** a *method* mark: the right approach, even if the number is wrong.
- **A1** an *answer* mark, and it usually needs its M mark first.
- **C1** a working mark on the way to the answer.
- **//** separates answers the examiner accepts equally.
- **ecf** = error carried forward: a later part is marked on your own earlier answer.
- **owtte** = “or words to that effect” – the wording need not match.

Question 3

0450/12 N25 ■ Q3 ■ 20 marks

-
- 3** Miguel plans to start up a gym (sports club). It will offer a range of fitness classes including yoga. The business will be a partnership with his sister. Miguel thinks the size of the business will remain small. Secondary market research will be used to help make decisions including which pricing method to use. Miguel knows it is important for a new business to select a suitable location.
- (a)** Define 'partnership'.

Question 3

(b) Identify **two** ways to measure the size of a business.

Question 3

- (c) Outline **two** pricing methods Miguel could use.

Question 3

(d) Explain **one** advantage and **one** disadvantage to Miguel of using secondary market research.

Question 3

Question 3

Question 3

Question 3

Question 3

Question 3

- (e) Do you think access to employees is the most important factor for a new business to consider when deciding on a suitable location? Justify your answer.

Question 3

Solution 3

(a) Mark scheme

- Define 'partnership'.
- Award 2 marks for a full definition. Award 1 mark for a partial definition.
- ■
- Two (or more) people agree to jointly own a business (together) [2]
- ■
- A business formed by two or more people [2]
- Partial definition e.g.
- ■

Solution 3

- A business run/operated/managed/controlled/lead by two (or more)
- people [1]
- 2 For two marks need the idea of
- owned/formed and it involves at least two
- people.

Solution 3

(b) Mark scheme

- Identify two ways to measure the size of a business.
- Award 1 mark per way (max 2).
- Points might include:
 - ■
 - (Number of) employees / size of workforce / (amount of) labour
 - ■
 - Value of sales/revenue
 - ■

Solution 3

- Number/amount of customers / volume of output / number of sales
- ■
- Value of output
- ■
- (Value of) capital employed
- Other appropriate responses should be credited.
- 2 Only award the first two responses given.
- Do not award:
 - ■
- Profit

Solution 3

- ■
- Capital on its own
- 0450/12
- October/November 2025
- Guidance

Solution 3

(c) Mark scheme

- Outline two pricing methods Miguel could use.
- Award 1 mark for each relevant method (max 2).
- Award 1 mark for each relevant reference to this business (max 2).
- Points might include:
 - ■
 - Cost-plus pricing [k] to cover the costs of the gym [app]
 - ■
 - Penetration pricing [k] as it is a new business [app]

Solution 3

- ■
- Competitive / competition pricing [k] based on the location [app]
- ■
- (Price) skimming [k] for some of the classes [app]
- ■
- Promotional pricing [k] based on its market research results [app]
- Other appropriate responses should be credited.
- 4 To use words from the stem as application,
- the reference must be appropriate (i.e.
- make sense) in relation to the point being

Solution 3

- made.
- The following words are likely to be
- appropriate for this question:
 - ■
 - Gym / sports club / club
 - ■
 - Fitness / classes / yoga or related
 - words e.g. instructors
 - ■
 - (Business) partnership / sister

Solution 3

- ■
- (Remain) small
- ■
- New/start-up business
- ■
- Secondary/market research
- ■
- (Suitable) location
- Other appropriate examples can be
- credited.

Solution 3

- 0450/12
- October/November 2025
- Guidance

Solution 3

(d) Mark scheme

- Explain one advantage and one disadvantage to Miguel of using
- secondary market research.
- Award 1 mark for identification of each relevant advantage/disadvantage (max
- 2).
- Award 1 mark for each relevant reference to this business (max 2).
- Award 1 mark for each relevant explanation (max 2).
- Points might include:
- Advantages:

Solution 3

- ■

- Low cost/free [k] which is important for a new business [app] so has funds
- for other activities [an]

- ■

- Readily available [k] so saves time / has time to focus on other issues

an such as deciding a pricing method [app]

- ■

- More/wide(r) range of information [k] about classes/yoga [app] which
- could help increase demand/sales [an]
- Disadvantages:

Solution 3

- ■
- Out-of-date information [k] for the gym [app] leading to wrong decisions
- being taken [an]
- ■
- Data is available for all businesses [k] so may not help create competitive
- advantage [an] so may not help the partnership [app]
- ■
- May not be relevant/specific to business needs [k] for this small business
- app which could result in customer needs not being met reducing
- customer loyalty [an]

Solution 3

- ■
- May not be reliable [k] as not up to date [an]
- Other appropriate responses should be credited.
- 6 To use words from the stem as application,
- the reference must be appropriate (i.e.
- make sense) in relation to the point being
- made.
- The following words are likely to be
- appropriate for this question:
- ■

Solution 3

- Gym / sports club / club
- ■
- Fitness / classes / yoga or related
- words e.g. instructors
- ■
- (Business) partnership / sister
- ■
- (Remain) small
- ■
- Method of pricing

Solution 3

- ■
- (Suitable) location
- ■
- New/start-up business
- Other appropriate examples can be
- credited.
- Some points can be [k] or [an] but only
- award once e.g. lower cost, saves time.
- 0450/12
- October/November 2025

Solution 3

- Guidance

Solution 3

(e) Mark scheme

- Do you think access to employees is the most important factor for a new business to consider when deciding on a suitable location? Justify your answer.
- Award up to 2 marks for identification of relevant points.
- Award up to 2 marks for relevant development of points.
- Award up to 2 marks for a justified decision as to whether access to employees is the most important factor for a new business to consider when deciding on a suitable location.

Solution 3

- Points might include:
- Access to employees:
- ■
- Availability/number of employees [k] as if high employment may be
- difficult to find enough employees / if many available could pay lower
- wages [an] helping to lower costs [an]
- ■
- Distance/proximity from workers/workplace [k] as if far may increase
- transport costs / if many close it may be easier to recruit [an]
- ■

Solution 3

- May need skilled/trained workers [k] to provide a good level of
- service/high(er) output / may not be suitable workers nearby [an]
- ■
- Level of wages/salary (in local area) [k] if high wages need to be paid it
- could increase costs [an]
- Other factors might include:
- ■
- Access to customers/demand / proximity to market [k] to increase sales
- an AND/OR revenue [an]
- ■

Solution 3

- Availability of suitable premises/rent [k] as high rent will increase fixed
- costs [an]
- ■
- Number of competitors [k] may lead to high/low footfall [an]
- ■
- Distance to/from suppliers/transport links [k] which could increase
- transport costs [an]
- ■
- Access to raw materials [k]
- ■

Solution 3

- Legal controls [k]
- ■
- Government grants [k]
- ■
- Local infrastructure e.g. internet/water/electricity [k]
- ■
- Personal preference [k]
- 6 This is a general question so there are no
- marks for application.
- Evaluation can only be awarded if

Solution 3

- candidates discuss access to employees.
- For evaluation to be awarded justification
- will usually follow on from relevant analysis
- of points.
- Some points could be [k] or [an] but only
- award once.
- Some [an] could be used for different
- points but only award once.
- Answers must be from the business
- viewpoint, not the employee.

Solution 3

- 0450/12
- October/November 2025
- Guidance
- Other appropriate responses should be credited.
- Justification might include:
 - Availability of employees as if high employment may be difficult to find enough
 - employees [k] reducing level of output [an]. Another factor is government
 - grants [k] which could help pay the start-up costs [an].
 - The grant is likely to be the most important factor for a new business because
 - without enough finance, there may be no business [eval] and there would be

Solution 3

- no need to worry about recruiting employees [eval].
- Guidance

Question 2

0450/13 N25 ■ Q2 ■ 20 marks

-
- 2** Max is an entrepreneur who wants to start up a business selling books. He has decided to use ecommerce. Max has been told there is government support for start-up businesses. He will use market research to help make business decisions. Max knows it is important for a new business to build customer loyalty.
- (a)** Define 'entrepreneur'.

Question 2

(b) Identify **two** reasons why governments support start-up businesses.

Question 2

Question 2

Question 2

Question 2

(c) Outline **two** opportunities for Max's business of using ecommerce.

Question 2

Question 2

(d) Explain **two** ways Max could use market research to help make business decisions.

Question 2

Question 2

Question 2

Question 2

Question 2

Question 2

- (e) Explain **two** ways a business could build customer loyalty. Which is likely to be the best way for a new business to use? Justify your answer.

Solution 2

(a) Mark scheme

- Define 'entrepreneur'.
- Award 2 marks for a full definition. Award 1 mark for a partial definition.
- ■
- An individual who takes the financial risk of starting (and
- managing) a new business [2]
- ■
- A person who takes the risk for a new business venture

Solution 2

2

- Partial definition e.g.
- ■
- A person who starts/sets up a business [1]
- 2 For 1st mark need idea of start a business.
- Take a risk is [+1] only.

Solution 2

(b) Mark scheme

- Identify two reasons why a governments support start-up businesses.
- Award 1 mark per reason (max 2).
- Points might include:
 - ■
 - Create jobs / reduce unemployment
 - ■
- Increase competition

Solution 2

- ■
- Increase output / improve gross domestic product /
- increase GDP
- ■
- Generate taxation/taxes
- ■
- Motivate/encourage entrepreneurs
- ■
- (Business) can grow (into larger businesses in the
- future)

Solution 2

- ■
- Reduce imports / increase exports
- ■
- Provide a wider variety of goods/services
- Other appropriate responses should be credited.
- 2 Only award the first two responses given.
- Do not award:
 - ■
- Examples of government support.
- 0450/13

Solution 2

- October/November 2025
- Guidance

Solution 2

(c) Mark scheme

- Outline two opportunities for Max's business of using
- ecommerce.
- Award 1 mark for each relevant opportunity (max 2).
- Award 1 mark for each relevant reference to this business
- (max 2).
- Points might include:
 - ■
- Lower rent / no/few shops needed [k] so may not need

Solution 2

- as much government support [app]
- ■
- Widen market / more potential customers / orders can
- be taken 24/7 [k] for the books [app]
- ■
- Website can be used to promote the business [k] which
- is helpful for this new business [app]
- ■
- Easy/quick to update [k] for this entrepreneur [app]
- ■

Solution 2

- Can provide detailed information [k] alongside the
- market research [app]
- ■
- Fewer employees needed [k]
- Other appropriate responses should be credited.
- 4 To use words from the stem as application, the reference
- must be appropriate (i.e. make sense) in relation to the point
- being made.
- The following words are likely to be appropriate for this
- question:

Solution 2

- ■
- Entrepreneur
- ■
- Books
- ■
- New/start-up business
- ■
- Government support
- ■
- Market research

Solution 2

- ■
- Build customer loyalty
- Other appropriate examples can be credited.
- Benefits must be to the business not to customers.
- 0450/13
- October/November 2025
- Guidance

Solution 2

(d) Mark scheme

- Explain two ways Max could use market research to
- help make business decisions.
- Award 1 mark for identification of each relevant way (max 2).
- Award 1 mark for each relevant reference to this business
- (max 2).
- Award 1 mark for each relevant explanation (max 2).
- Points might include:
 - ■

Solution 2

- Identify consumer needs / identify target market [k] as
- it's a new business [app] to ensure sales [an]
- ■
- Identify competition [k] which may influence his
- marketing/pricing [an] for his books [app]
- ■
- Identify market size/trends/demand [k] to know what
- products to stock [an] which may help build customer
- loyalty [app]
- ■

Solution 2

- How to promote its products [k] to raise awareness [an]
- as plans to use ecommerce [app]
- ■
- What/amount of inventory to buy [k] to keep variable
- costs low [an]
- ■
- Set prices/decide what prices to set [k] to ensure
- business can breakeven / cover costs [an]
- Other appropriate responses should be credited.
- 6 To use words from the stem as application, the reference

Solution 2

- must be appropriate (i.e. make sense) in relation to the point
- being made.
- The following words are likely to be appropriate for this
- question:
 - ■
 - Entrepreneur
 - ■
 - Books
 - ■
 - New/start-up business

Solution 2

- ■
- Government support
- ■
- Ecommerce
- ■
- Build customer loyalty
- Other appropriate examples can be credited.
- Some points can be [k] or [an] but only award once.
- Do not award:
- ■

Solution 2

- Methods of market research
- 0450/13
- October/November 2025
- Guidance

Solution 2

(e) Mark scheme

- Explain two ways a business could use to build
- customer loyalty. Which is likely to be the best way for a
- new business to use? Justify your answer.
- Award up to 2 marks for identification of relevant points.
- Award up to 2 marks for relevant development of points.
- Award up to 2 marks for a justified decision about which is
- the best way for a new business to build customer loyalty.
- Points might include:

Solution 2

- ■
- Offer good customer service / train employees [k] which
- can make customers feel valued / builds trust [an]
- ■
- Loyalty (reward) scheme / special offers/discounts to
- regular customers / membership discounts [k] so they
- have an incentive to return [an] but it takes time/cost to
- set up/operate [an]
- ■
- Build customer relationships / communicate with

Solution 2

- customer or examples e.g. use newsletters to
- communicate [k] so customers remember your business

an

- ■
- Ask for feedback / carry out market research [k] so the
- items being sold match customer needs [an]
- ■
- Respond to complaints quickly [k] so that customers are
- less likely to go to other businesses [an]
- ■

Solution 2

- Offer extra services or examples such as after sales
- service / delivery / credit facilities [k] which show that
- the business cares [an]
- 6 This is a general question so there are no marks for
- application.
- To access evaluation must discuss two ways.
- For evaluation to be awarded justification will usually follow
- on from relevant analysis of points.
- Some answers could be awarded as either [k] or [an] but do
- not award the same point twice.

Solution 2

- 0450/13
- October/November 2025
- Guidance
- Other appropriate responses should be credited.
- Justification might include:
 - One way is to offer good customer service [k] which can
 - make customers feel valued [an]. Another way is to respond
 - to complaints quickly [k] so that customers are less likely to
 - go to other businesses [an].
 - Offering good customer service is the best way for a new

Solution 2

- business because this is likely to reduce the number of
- mistakes which can help reduces the likelihood of
- complaints [eval] and improve its reputation which could
- help the new business compete [eval].
- 0450/13
- October/November 2025
- Guidance

Question 1

0450/22 N25 ■ Q1 ■ 20 marks

- 1 (a) Explain **four** ways a business plan could help Kathryn.

Question 1

Question 1

Question 1

Question 1

[8]

(b) Consider the following **two** methods Kathryn could use to communicate with her suppliers. Which method should Kathryn use if an order is needed quickly? Justify your answer.

- Telephone calls
- Emails

Question 1

Question 1

[12]

Solution 1

(a) Mark scheme

- Explain four ways a business plan could help Kathryn.
- Award 1 mark for each relevant way (max 4).
- Award 1 additional mark for each explanation of the way applied to this
- context.
- Relevant ways might include:
 - ■
 - To help gain a bank loan/overdraft – to open the new shop
 - ■

Solution 1

- To help give the business a sense of purpose and direction – selling
 - wedding flowers
 - ■
- To calculate the costs of setting up the business – in this niche market
 - ■
- To predict cash flow problems – when deciding the source of finance for
 - working capital
 - ■
- To help identify if there is sufficient demand for the product
 - ■

Solution 1

- To help set prices – for the high-quality products
- ■
- To help identify the skills / type of employees needed – to prepare the
- flowers
- ■
- To help choose the promotional methods to use
- ■
- To help allocate resources
- For example: To help with an application for a bank loan (1) in order to open
- the new flower shop (app).

Solution 1

- Application could include: new shop/third shop; 2 shops; flowers; source of
- finance required for working capital; weddings; bride/groom; ribbons;
- reputation for high quality; contribute to sustainable development; targets a
- niche market; 4/8 employees at each shop; bride; average price paid is
- \$2000; supplies purchased each day; supplies are fresh; uses job production;
- small business; marketing mix for the new shop.
- 8
- 0450/22
- October/November
- 2025

Solution 1

(b) Mark scheme

- Consider the following two methods Kathryn could use to communicate
- with her suppliers. Which method should Kathryn use if an order is
- needed quickly? Justify your answer.
- ■
- Telephone calls
- ■
- Emails
- Level

Solution 1

- Description
- 3
- Sound application of knowledge and understanding of
- relevant business concepts using appropriate terminology.
- Detailed discussion of both methods.
- Well-justified recommendation.
- Candidates discussing both methods, in context and with a
- well-justified recommendation, including why the alternative
- method was rejected, should be rewarded with the top
- marks in the band.

Solution 1

- 9–12
- 2
- Sound application of knowledge and understanding of
- relevant business concepts using appropriate terminology.
- Detailed discussion of at least one method.
- Judgement with some justification / some evaluation of
- choice made.
- Candidates discussing at least one method in detail and
- applying it to the case should be rewarded with the top
- marks in the band.

Solution 1

- 5–8
- 1
- Limited application of knowledge and understanding of
- relevant business concepts.
- Limited ability to discuss the methods with little/no
- explanation.
- Simple judgement with limited justification / limited
- evaluation of choice made.
- Candidates outlining both methods in context should be
- rewarded with the top marks in the band.

Solution 1

- 1–4
- 0
- No creditable response.
- 0
- 12
- 0450/22
- October/November
- 2025
- Relevant points might include:
- Advantages

Solution 1

- Disadvantages
- Telephone calls
- ■
- Speaks directly to each
- supplier of ribbons –
- gets immediate
- feedback – so knows the
- message has been
- received
- ■

Solution 1

- Can verify if the
- message for the order
- of fresh flowers is
- understood – answer
- questions about the
- orders – to ensure the
- correct flowers are
- delivered – possibly
- meeting customer
- orders more quickly

Solution 1

- ■
- Know the message has
- been received – with
- having a good
- relationship with the
- supplier which means
- they will answer and
- take the order
- ■
- Suppliers may not

Solution 1

- answer – delay in
- order being taken –
- delivery of flowers
- may be delayed –
- which slows
- production and may
- be late being
- delivered to a
- wedding
- ■

Solution 1

- Poor connection
- over the network
- used – may distort
- the message and
- make it difficult to
- understand –
- resulting in wrong
- order being made –
- which may lead to
- under or over

Solution 1

- ordered flowers
- ■
- Could take a long
- time to call
- suppliers – may not
- answer straight
- away and may
- need to call several
- times taking time
- that could be used

Solution 1

- for something else
- ■
- No permanent
- record of the
- conversation – if an
- incorrect order is
- made there is no
- proof the supplier
- made a mistake
- 0450/22

Solution 1

- October/November
- 2025
- Advantages
- Disadvantages
- Emails
- ■
- Provides a written
- record for FF to refer to
- – if the suppliers do not
- meet the order correctly

Solution 1

- and the wrong flowers
- are delivered
- ■
- Can be referred to at
- different times to check
- on the amount of
- perishable supplies
- ordered to ensure the
- correct order is delivered
- on the correct date

Solution 1

- ■
- Kathryn does not have
- to be in the office to
- send the order – can be
- sent out of usual office
- hours – may be more
- convenient especially as
- FF is a small business
- ■
- Some suppliers

Solution 1

- may not have
- access to a reliable
- internet connection
- – so FF may not
- know the order for
- ribbons has not
- been received
- ■
- The order may not
- be seen if there are

Solution 1

- too many emails to
- read and get lost or
- missed
- ■
- May go into junk –
- so supplier of
- packaging is
- unaware there is an
- order
- Recommendation Justification might include:

Solution 1

- ■
- A telephone call should be made if the order for
- ribbons is needed quickly to ensure the message is
- received. Feedback can clarify that the correct
- order has been made. An email may get lost
- amongst many emails and the urgency may not be
- realised, therefore making the order late being
- processed and delivery of the flower arrangements
- for the wedding being delayed.
- ■

Solution 1

- An email should be used as it is sent straight away,
- and the supplier of fresh flowers can reply letting
- FF know that the order has been received and if it
- can be dispatched straight away.
- 0450/22
- October/November
- 2025

Question 1

0450/11 J25 ■ Q1 ■ 20 marks

- 1 Brendan wants to be a successful entrepreneur. He plans to start up a flower shop using government support. Brendan's brother has offered to form a business partnership with him. Brendan knows it is important for a new business to use a suitable pricing method. He has already identified ways the business can increase added value. Brendan wants to know how an economic boom might affect his business.

(a) Define 'business partnership'.

Question 1

(b) Identify **two** ways a government can support business start-ups.

Question 1

Question 1

Question 1

Question 1

(c) Outline **two** ways an economic boom might affect Brendan's business.

Question 1

Question 1

(d) Explain **two** ways Brendan could increase added value for his business.

Question 1

Question 1

Question 1

Question 1

Question 1

- (e) Explain **two** pricing methods a new business might use. Which is likely to be the best method to use? Justify your answer.

Solution 1

(a) Mark scheme

- Define 'business partnership'.
- Award 2 marks for a full definition. Award 1 mark for a partial definition.
- ■
- Two (or more) people agree to (jointly) own the
- business [2]
- ■
- A business formed by two (or more) people who will

Solution 1

- usually share responsibility for the day to day running of
- the business [2]
- ■
- An unincorporated business that has more than one
- owner [2]
- Partial definition e.g.
- ■
- business run by two or more people [1]
- 2 For two marks need the idea of owned/formed and it
- involves at least two people.

Solution 1

(b) Mark scheme

- Identify two ways a government can support business
- start-ups.
- Award 1 mark for each way (max 2).
- Points might include:
 - ■
 - Grants/subsidies
 - ■
 - (Low interest) loans

Solution 1

- ■
- Low-cost/rent-free premises
- ■
- Provide training
- ■
- Tax relief/lower tax/tax holiday
- ■
- Advice/help with research
- ■
- Help promote/advertise the business

Solution 1

- ■
- Provide mentors
- Other appropriate responses should be credited.
- 2 Only award the first two responses given.
- 0450/11
- May/June 2025
- Guidance

Solution 1

(c) Mark scheme

- Outline two ways an economic boom might affect
- Brendan's business.
- Award 1 mark for each relevant way (max 2).
- Award 1 mark for each relevant reference to this business
- (max 2).
- Points might include:
 - ■
- High level of demand/sales/revenue [k] for flowers [app]

Solution 1

- ■
- May be difficult to find employees [k] for the shop [app]
- ■
- He can increase his prices [k] which will increase added
- value [app]
- ■
- Higher costs / wages might increase [k] so may need
- more government support [app]
- ■
- High business confidence [k] for this entrepreneur [app]

Solution 1

- ■
- Increased competition [k]
- ■
- Harder to access materials [k]
- ■
- Harder to find a location [k]
- Other appropriate responses should be credited.
- 4 To use words from the stem as application, the reference
- must be appropriate (i.e. make sense) in relation to the point
- being made.

Solution 1

- The following words are likely to be appropriate for this
- question:
- ■
- (Successful) entrepreneur
- ■
- Start-up/new business
- ■
- Flower(s) or examples
- ■
- Shop

Solution 1

- ■
- Government support
- ■
- Increase added value
- ■
- (Business) partnership
- ■
- Pricing method
- Other appropriate examples can be credited.
- 0450/11

Solution 1

- May/June 2025
- Guidance

Solution 1

(d) Mark scheme

- Explain two ways Brendan could increase added value
- for his business.
- Award 1 mark for identification of each relevant way (max 2).
- Award 1 mark for each relevant reference to this business
- (max 2).
- Award 1 mark for each relevant explanation (max 2).
- Points might include:
 - ■

Solution 1

- Set high prices [k] which widens the gap between the
- cost and price [an] for the flowers [app]
- ■
- Lower (input) costs [k] by buying cheaper materials [an]
- for this new business [app]
- ■
- Branding/marketing/packaging [k] to give the idea of
- higher quality [an]
- ■
- Unique design/products [k] making it more desirable

Solution 1

- than similar products [an] which could influence its
- pricing method [app]
- ■
- Improve convenience [k] so products are immediately
- available [an] in the shop [app]
- ■
- (Improve) quality/service [k]
- Other appropriate responses should be credited.
- 6 To use words from the stem as application, the reference
- must be appropriate (i.e. make sense) in relation to the point

Solution 1

- being made.
- The following words are likely to be appropriate for this
- question:
 - ■
 - Start-up/new business
 - ■
 - Flower(s) or examples
 - ■
 - Shop
 - ■

Solution 1

- Government support
 - ■
- Brother
 - ■
- (Business) partnership
 - ■
- Pricing method
 - ■
- (Successful) entrepreneur
- Other appropriate examples can be credited.

Solution 1

- Analysis can be awarded for:
 - ■
 - explaining the reason why price or costs may be
 - higher/lower
 - ■
 - how the way increases the added value.
- Some points can be awarded as [k] or [an] but only award
- once.
- Do not award the same point of analysis twice.
- 0450/11

Solution 1

- May/June 2025
- Guidance

Solution 1

(e) Mark scheme

- Explain two pricing methods a new business might use.
- Which is likely to be the best method to use? Justify
- your answer.
- Award up to 2 marks for identification of relevant points.
- Award up to 2 marks for relevant development of points.
- Award up to 2 marks for a justified decision as to which is
- the best pricing method for a new business to use.
- Points might include:

Solution 1

- ■
- Cost-plus [k] by adding a percentage onto the costs of
- production [an] it is easy to calculate [an]
- ■
- Penetration pricing [k] setting a lower price than
- competitors [an] could attract customers [an]
- ■
- Competitive pricing [k] setting a price similar/just below
- competitors [an] which may not cover costs [an]
- ■

Solution 1

- Price skimming [k] allows the business to recover
- development costs quicker [an] may lead to low sales

an

- ■
- Promotional pricing [k]
- Other appropriate responses should be credited.
- Justification might include:
- Cost-plus pricing [k] is easy to calculate [an]. Price skimming
- k allows the business to recover development costs quickly

an . Cost-plus pricing is the best method as the business

Solution 1

- will make profit on each item sold [eval] whereas with price
- skimming they may not attract customers to their new
- business [eval].
- 6 This is a general question so there are no marks for
- application.
- Candidates must name the method to access the knowledge
- marks.
- Analysis can be awarded for explaining the method or
- advantages/disadvantages
- Some points can be awarded as advantages or

Solution 1

- disadvantages of different methods but only award the same
- point once.
- To access evaluation must discuss two relevant methods.
- Accept but do not expect:
 - ■
 - Dynamic pricing [k]
 - ■
 - Psychological pricing [k]
- 0450/11
- May/June 2025

Solution 1

- Guidance

Question 1

0450/22 M25 ■ Q1 ■ 20 marks

- 1 (a) Explain **four** reasons why new businesses are at a greater risk of failing than existing businesses.

Question 1

Question 1

Question 1

Question 1

[8]

(b) Consider the following **two** types of business organisation that Charly could choose for her new business. Which type of business organisation should Charly choose? Justify your answer.

- Sole trader
- Private limited company

Question 1

Question 1

[12]

Solution 1

(a) Mark scheme

- Explain four reasons why new businesses are at a greater risk of failing
- than existing businesses.
- Award 1 mark for each relevant reason (max 4).
- Award a maximum of 1 additional mark for each explanation.
- There are no application marks available for this question.
- Relevant reasons might include:
 - ■
 - Lacks finance – liquidity/cash flow problems

Solution 1

- ■
- Poor planning – lack of experience / may not have a business plan
- ■
- May lack management knowledge – lacks efficiency / not competitive /
- higher costs
- ■
- Inadequate research – no effective market research / not identified
- customer needs
- ■
- Lack of demand / poor quality product – cannot pay for costs from sales

Solution 1

- revenue
- ■
- Difficulties entering a new market – does not have brand loyalty / there is
- high competition in the market
- ■
- Difficulty competing with larger established firms in the market – as
- cannot benefit from economies of scale
- ■
- Overexpansion – tries to grow too quickly at the start
- ■

Solution 1

- Unable to respond quickly enough to changes in the external influences –
- for example not responding to increase in online sales
- For example: Lacks finance (1) may not have sufficient liquidity to pay current
- liabilities (1).
- 8
- 0450/22
- February/March 2025

Solution 1

(b) Mark scheme

- Consider the following two types of business organisation that Charly
- could choose for her new business. Which type of business
- organisation should Charly choose? Justify your answer.
- ■
- Sole trader
- ■
- Private limited company
- Level

Solution 1

- Description
- 3
- Sound application of knowledge and understanding
- of relevant business concepts using appropriate
- terminology.
- Detailed discussion of the two types of business
- organisation.
- Well-justified recommendation.
- Candidates discussing the two types of business
- organisation in detail, in context and with a well-

Solution 1

- justified recommendation, including why the
- alternative type of business organisation was
- rejected, should be rewarded with the top marks in
- the band.
- 9–12
- 2
- Sound application of knowledge and understanding
- of relevant business concepts using appropriate
- terminology.
- Detailed discussion of at least one type of business

Solution 1

- organisation.
- Judgement with some justification/some evaluation of
- choice made.
- Candidates discussing one or more type of business
- organisation in detail and applying it to the case
- should be rewarded with the top marks in the band.
- 5–8
- 1
- Limited application of knowledge and understanding
- of relevant business concepts.

Solution 1

- Limited ability to discuss the types of business
- organisation with little/no explanation.
- Simple judgement with limited justification/limited
- evaluation of choice made.
- Candidates outlining the two types of business
- organisation in context should be rewarded with the
- top marks in the band.
- 1–4
- 0
- No creditable response

Solution 1

- 0
- 12
- 0450/22
- February/March 2025
- Relevant points might include:
 - Advantages
 - Disadvantages
 - Sole trader
 - ■
- Owner is in complete

Solution 1

- control / makes all
- the decisions – likes
- being her own boss
- with no one to tell
- her what to do –
- prefers making all
- the business
- decisions instead of
- having to consult
- others – such as

Solution 1

- which colour of
- rugs to produce
- ■
- Does not have to
- share profits – as
- there is only one
- owner – keeps all
- the returns from her
- own hard work
- ■

Solution 1

- It is easy to set-up –
- as there are few legal
- requirements –
- reducing the costs of
- setting up, such as
- accountancy costs
- ■
- Freedom to choose
- her own working
- hours or holidays –

Solution 1

- when she worked for
- the other business,
- she would have to
- work the hours
- stated in her
- employment contract
- – which she would
- have done when she
- worked for the rug
- manufacturer

Solution 1

- ■
- Complete privacy –
- she does not have to
- share any financial
- details with anyone
- else – apart from the
- tax office, as she will
- still have to pay tax
- ■
- Unlimited liability /

Solution 1

- no limited liability –
- which means all her
- personal
- possessions are at
- risk – not just the
- \$10 000 she plans to
- invest in the business
- ■
- There is no-one to
- share

Solution 1

- responsibilities with
- or discuss business
- decisions –
- everything for the
- sole trader to decide
- ■
- Responsibility of the
- owner – this can be
- stressful, and she
- may be more likely

Solution 1

- to make mistakes
- ■
- No continuity – if
- something happens
- to Charly because
- she is ‘the business’
- it will end – unlike a
- company where the
- shares allow it to
- carry on as it has a

Solution 1

- separate legal
- identity
- ■
- Lack of capital /
- difficult to raise
- finance – as only the
- \$10 000 investment
- from Charly and
- borrowing \$20 000
- from the bank is

Solution 1

- available to the
- business – may
- make it more difficult
- to expand in the
- future
- ■
- May need to work
- long hours / difficult
- to take holidays /
- increased workload

Solution 1

- 0450/22
- February/March 2025
- Advantages
- Disadvantages
- Private limited
- company
- ■
- Charly and the
- business are a
- separate legal

Solution 1

- identity – provides
- continuity if
- something happens
- to Charly – company
- can be sued instead
- of Charly
- ■
- Charly can sell
- shares to family and
- friends to raise

Solution 1

- capital for the new
- business – larger
- amounts of capital
- may be raised than if
- a sole trader
- ■
- Limited liability – will
- not lose personal
- possessions if
- business fails – and

Solution 1

- she is aware that
- as a new business
- is at a greater risk
- of failing
- ■
- Cannot be taken
- over without the
- consent of the
- shareholders if there
- are more

Solution 1

- shareholders in the
- business
- ■
- Accounts are not
- private – competitors
- producing rugs may
- access the accounts
- ■
- Cannot sell shares
- to the public / cannot

Solution 1

- be sold on the stock
- exchange – not easy
- to transfer shares so
- may make it more
- difficult for Charly to
- sell shares to family
- and friends
- ■
- Legal formalities
- setting up the rug

Solution 1

- company – has to
- complete paperwork
- to register the
- company which
- takes time and
- money – may take
- more time for Charly
- than setting up as a
- sole trader
- ■

Solution 1

- Legal formalities to
- operate the
- company – needs to
- have accounts
- audited and
- registered with the
- government takes
- time and increases
- costs for CR
- 0450/22

Solution 1

- February/March 2025
- Recommendation Justification might include:
 - ■
- Charly should set up as sole trader because she
- will have complete control of which rugs to
- produce and will be able to keep all the profits
- from her hard work without having to share them
- with shareholders, as she may have to give
- dividends to shareholders if she formed a private
- limited company. She should not become a

Solution 1

- private limited company as this would mean that
- competitors may be able to see some of her
- accounts and she could not keep her financial
- data private, which she could if she was a sole
- trader. She will also have to pay to have her
- accounts audited each year which will increase
- costs.
- ■
- Charly should set up as a private limited
- company because she will have the protection

Solution 1

- of limited liability which means if CR goes
- bankrupt, she will not lose her personal
- possessions, as she would if she was a sole
- trader, only the \$10 000 she plans to invest in
- the business at the start.
- 0450/22
- February/March 2025

Question 2

0450/11 N24 ■ Q2 ■ 20 marks

- 2** Mitchell is an entrepreneur. He wants to start up a business selling books. As part of his business plan Mitchell has carried out some market research. An extract is shown in Fig. 2.1. Mitchell will use microfinance as a source of finance. He wants to know whether the opportunities of using ecommerce for a new business are greater than the threats.

Extract from Mitchell's market research data for 2023

Chart 1: Type of people reading books

Chart 2: Book sales by type (million)

Question 2

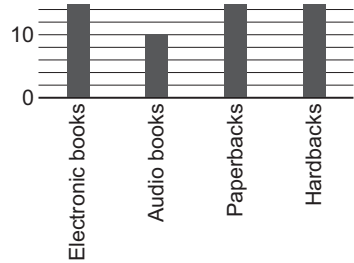


Fig. 2.1

(a) Define 'entrepreneur'.

Question 2

(b) Define 'business plan'.

Question 2

- (c) Outline **one** advantage and **one** disadvantage to Mitchell of using microfinance as a source of finance.

Question 2

- (d)** Explain how the market research data in Chart 1 and Chart 2 in Fig. 2.1 could help Mitchell when making decisions.

Question 2

- (e) Do you think the opportunities of ecommerce for a new business are greater than the threats? Justify your answer.

Question 2

Solution 2

(a) Mark scheme

- Define 'entrepreneur'.
- Award 2 marks for a full definition. Award 1 mark for a partial definition.
- A person who organises, operates and takes the risk for a new business venture [2]
- OR
- An individual who takes the (financial) risk of starting a new business [2]

Solution 2

- OR
- A person who combines factors of production to start a business [2]
- OR
- An individual who takes the risk by combining factors of production [2]
- Partial definition e.g. a person who starts/sets up a business

1

- 2 Do not award:
- Answers such as managing a business or answers which

Solution 2

- identify the skills of an entrepreneur on its own.
- 0450/11
- October/November 2024
- Notes

Solution 2

(b) Mark scheme

- Define 'business plan'.
- Award 2 marks for a full definition. Award 1 mark for a partial definition.
- A document containing the business aims/objectives and important details about the operations, finance and owners of a business. [2]
- OR
- A detailed written document outlining the purpose and aim

Solution 2

- of a business which is often used to persuade lenders or
- investors to finance a business proposal. [2]
- OR
- States aims and/or objectives and show how business plans
- to achieve them. [2]
- Partial definition e.g. a document stating the aims of the
- business [1]
- OR A document containing details about the operations,
- finance and owners of a business.[1]
- 2

Solution 2

- 0450/11
- October/November 2024
- Notes

Solution 2

(c) Mark scheme

- Outline one advantage and one disadvantage to Mitchell
- of using microfinance as a source of finance.
- Award 1 mark for each relevant advantage/disadvantage
- (max 2).
- Award 1 mark for each relevant reference to this business
- (max 2).
- Points might include:
- Advantages:

Solution 2

- ■
- Do not need a good credit record/history [k] for this
- retailer [app]
- ■
- Less paperwork/no business plan required [k] for this
- new entrepreneur [app]
- ■
- No need to provide security/collateral [k] which can help
- as it is a start-up business [app]
- Disadvantages:

Solution 2

- ■

- Only for a small amount [k] so cannot buy many books

app

- ■

- Usually high interest rates (as low/poor credit rating) [k]
- Other appropriate responses should be credited.
- 4 To use words from the stem as application, the reference
- must be appropriate (make sense) in relation to the point
- being made.
- The following words are likely to be appropriate for this

Solution 2

- question:
- ■
- Business plan – can be used as [k] or [app]
- ■
- but not both
- ■
- New/start-up business
- ■
- Books
- ■

Solution 2

- Ecommerce
- ■
- Entrepreneur
- ■
- Retailer
- Other appropriate examples should be credited.
- 0450/11
- October/November 2024
- Notes

Solution 2

(d) Mark scheme

- Explain how the market research data in Chart 1 and
- Chart 2 in Fig. 2.1 could help Mitchell when making
- decisions.
- Award 1 mark for identification of how the data in each chart
- can be used when making decisions (max 2).
- Award 1 mark for each relevant reference to this business
- (max 2).
- Award 1 mark for each relevant explanation (max 2).

Solution 2

- Points might include:

- Chart 1:

- ■

- Decide the target market [k] as children read the most

app which could help increase sales/revenue [an]

- ■

- Decide where to advertise [k] to attract most customers

an

- Chart 2:

- ■

Solution 2

- Decide which type to sell [k] as only 15 million
- hardbacks are sold [app] which could help reduce the
- amount of unsold inventory [an]
- ■
- To decide how many of each type of book he will sell [k]
- therefore he must have more of these in stock [an]
- Other appropriate responses should be credited.
- 6 To use words from the stem as application, the reference
- must be appropriate (i.e. make sense) in relation to the point
- being made.

Solution 2

- The following words are likely to be appropriate for this
- question:
- ■
- Allow book/books once as application.
- Chart 1:
- ■
- 27%/Older people
- ■
- 35%/Children
- ■

Solution 2

- 20%/adults
 - ■
- 18%/students
- Chart 2:
 - ■
- Audio /10 million
 - ■
- Paperback/50 million
 - ■
- Hardback/15 million

Solution 2

- ■
- Other 20 million
- Other appropriate examples can be credited.
- Do not award:
- Answers which simply state what chart shows e.g.
- 'Type of books are sold' as this is repetition.
- 0450/11
- October/November 2024
- Notes

Solution 2

(e) Mark scheme

- Do you think the opportunities of ecommerce for a new
- business are greater than the threats? Justify your
- answer.
- Award up to 2 marks for identification of relevant points.
- Award up to 2 marks for relevant development of points.
- Award up to 2 marks for a justified decision as to whether
- the opportunities of ecommerce for a new business are
- greater than the threats.

Solution 2

- Points might include:
- Opportunities:
- ■
- More potential customers/sales/widen market [k] which
- can increase market share [an]
- ■
- No/fewer shops needed [k] so less rent/lower fixed
- costs [an] which increases its profit margin [an]
- ■
- Fewer employees needed [k] lower labour/wage costs

Solution 2

an

- ■
- Easy to update [k]
- Threats:
- ■
- Increased competition [k] so may have to spend more
- on advertising / have to set lower prices [an]
- ■
- Potential customers do not trust online business / risk of
- fraud/hacking [k] therefore they are less likely to

Solution 2

- purchase [an]
- ■
- Not everyone has access to the internet [k] which could
- reduce potential customer base [an]
- ■
- Lack of personal service/no face-to-face contact [k] so
- difficult to maintain customer loyalty [an]
- ■
- Increased costs of postage/distribution [k] which could
- lead to higher prices [an]

Solution 2

- ■
- Cost to set up/maintain website [k] which business
- might not be able to afford [an]
- 6 This is a general question so there are no marks for
- application.
- Lower costs may be [k] or [an] but allow only once.
- 0450/11
- October/November 2024
- Notes
- Other appropriate responses should also be credited.

Solution 2

- Justification might include:
- One opportunity is more potential customers [k] increasing
- market share [an]. However, there may be increased
- competition [k] increasing promotional costs [an]. The
- opportunity is greater because more customers could
- increase revenue which is likely to cover the additional costs

eval increasing the chances of a new business being

- successful. [eval]
- Notes

Question 1

0450/21 N24 ■ Q1 ■ 20 marks

- 1 (a) Explain **four** reasons why a business might remain small.

Question 1

Question 1

Question 1

Question 1

(b) Consider the following **three** roles of packaging for CC's products. Which role is most important for CC? Justify your answer.

- Protecting the product
- Promoting the brand image
- Providing information about the product

Question 1

Solution 1

(a) Mark scheme

- Explain four reasons why a business might remain small.
- Award 1 mark for each suitable reason (max 4).
- Award a maximum of 1 additional mark for each explanation of why a
- business remains small.
- There are no application marks for this question.
- Suitable reasons might include:
 - ■
- The product / service is specialised / may be personal / customised – not suitable

Solution 1

- for production on a large scale / produced using job production
- ■
- Market size – doesn't have a large market / maybe niche market / sales
- are low / lack of demand
- ■
- Owner's choice / owner's preference / owner's objective – to keep a work
- life balance / less stress / less pressure / satisfied with current business
- performance
- ■
- Easier to manage / control – owner makes decisions himself/herself / may

Solution 1

- not have the skills to manage a larger business
- ■
- Owner knows all the employees – personal relationship / paternalistic
- style / easier communication
- ■
- Lack of finance / fewer options of finance for a small business
- ■
- Maintaining close customer relations – wishes to maintain customer
- loyalty / face-to-face customer service
- ■

Solution 1

- Not willing to take many / additional risks – does not want more
- responsibility
- ■
- Market dominated by large business / many competitors – restricting
- growth / sales
- For example: The product is specialised (1) and therefore is not suitable to be
- produced on a large scale (1).
- 8
- 0450/21
- October/November

Solution 1

- 2024

Solution 1

(b) Mark scheme

- Consider the following three roles of packaging for CC's products. Which
- role is most important for CC? Justify your answer.
- ■
- Protecting the product
- ■
- Promoting the brand image
- ■
- Providing information about the product

Solution 1

- Level
- Description
- 3
- Sound application of knowledge and
- understanding of relevant business concepts using
- appropriate terminology.
- Detailed discussion of two or more roles.
- Well-justified conclusion.
- Candidates discussing three roles, in context and
- with a well-justified conclusion, including why the

Solution 1

- alternative roles were rejected, should be
- rewarded with the top marks in the band.
- 9–12
- 2
- Sound application of knowledge and
- understanding of relevant business concepts using
- appropriate terminology.
- Detailed discussion of at least one role.
- Judgement with some justification / some
- evaluation of choice made.

Solution 1

- Candidates discussing two or more roles in detail
- and applying these to the case should be
- rewarded with the top marks in the band.
- 5–8
- 1
- Limited application of knowledge and
- understanding of relevant business concepts.
- Limited ability to discuss the roles with little / no
- explanation.
- Simple judgement with limited justification/limited

Solution 1

- evaluation of choice made.
- Candidates outlining the three roles in context
- should be rewarded with the top marks in the
- band.
- 1–4
- 0
- No creditable response.
- 0
- 12
- 0450/21

Solution 1

- October/November
- 2024
- Relevant points might include:
- Protecting the
- product
- ■
- Cookies can easily break – delivered to customer
- in damaged state if packaging not suitable which
- could reduce the reputation for CC's high-
- quality products – leading to lower sales

Solution 1

- ■
- Needs to ensure the product stays fresh and
- best quality – to be consumed in a good
- condition and not deteriorated in any way / no
- germs/bacteria – keeps customers loyal to CC
- and maintains sales
- ■
- May prevent damage when being
- transported/stored – may lead to increased costs
- as products have to be replaced

Solution 1

- Promoting the
- brand image
- ■
- Appendix 1 is an advert showing cookies are of
- high quality and has a recognised logo –
- consumers will see the logo and associate the
- packaging with CC's products helping to
- advertise the cookies to other potential
- customers when they see the packaging
- ■

Solution 1

- Colour on the packaging can be used to
- associate the logo with the product – make the
- product easily identifiable on shelves and stand
- out from competing products
- Providing
- information
- about the
- product
- ■
- The ingredients can be listed on the packaging – in

Solution 1

- case customers need to know about allergies –
- prevents customers from falling ill when
- consuming the cookies – stops CC getting a bad
- reputation for selling products that can cause
- illness
- ■
- Information about the fresh ingredients may be a
- legal requirement – stops CC from being
- prosecuted and being fined
- 0450/21

Solution 1

- October/November
- 2024
- Conclusion
- Justification might include:
 - ■
 - Protecting the products is the most important role
 - of packaging as they are breakable and
 - perishable. The packaging needs to prevent the
 - product being damaged or CC's reputation for
 - high-quality products will be ruined. Promotion

Solution 1

- of a brand image is less important as advertising
- can do this and providing information is only
- important once the product is considered for buying,
- so unless the product is being looked at in the first
- place, then the information will not affect sales.
- ■
- Promoting the brand image is important as if
- customers are not attracted to CC's products in
- its shop in the city centre, then the other two
- roles of packaging will not be relevant.

Solution 1

- ■
- Providing information is most important because
- otherwise if a customer has food allergies and
- the information is not provided on the packaging
- then the customer may become ill. CC could be
- fined and get a bad reputation.
- 0450/21
- October/November
- 2024