Past-paper walk-through

Types of business organisation ▪ 1.4

eXercise

Questions in this set

- 0450/21 N25 Q1 ▪ 20 marks
- 0450/21 J25 Q1 ▪ 20 marks
- 0450/23 J25 Q1 ▪ 20 marks
- 0450/11 N24 Q3 ▪ 20 marks
- 0450/22 N24 Q1 ▪ 20 marks
- 0450/11 J24 Q4 ▪ 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 1

0450/21 N25 ▪ Q1 ▪ 20 marks

1 **(a)** Explain **two** advantages and **two** disadvantages of a business being a private limited company.

Question 1

Question 1

Question 1

Question 1

[8]

(b) Consider the following **three** economies of scale for LB. Which economy of scale is likely to have benefited LB the most? Justify your answer.

- Financial
- Purchasing
- Managerial

Question 1

Question 1

[12]

Solution 1

(a) Mark scheme

- Explain two advantages and two disadvantages of a business being a
- private limited company.
- Award 1 mark for each advantage/disadvantage (max 2 advantages/max 2
- disadvantages).
- Award 1 additional mark for each explanation of the advantage/disadvantage.
- There are no application marks for this question.
- Relevant advantages might include:
- ▪

Solution 1

- Has a separate legal identity – company can be sued but not usually the
- owners
- ▪
- Can sell shares to family and friends to raise capital – larger amounts of
- capital may be raised than if a sole trader / partnership
- ▪
- Limited liability – owners will not lose personal possessions if business is
- unable to pay its debts
- ▪
- Cannot be taken over without the consent of the shareholders

Solution 1

- ▪
- Provides continuity on the death of the owner
- Relevant disadvantages might include:
- ▪
- Accounts are not private – competitors may access the accounts
- ▪
- Cannot sell shares to the public / shares cannot be sold on the stock
- exchange - not easy to transfer shares so family and friends may be less
- willing to buy shares
- ▪

Solution 1

- Legal formalities required to operate the company – need to have
- accounts audited and registered with government which takes time and
- increases costs
- ▪
- Legal formalities setting up the company – has to complete paperwork to
- register the company which takes time and money / may take more time
- for owner than setting up as a sole trader/partnership
- For example: Cannot sell shares to the public on the stock exchange (1) as it
- is not easy to transfer / sell shares family and friends may be less willing to
- buy shares in the first place (1).

Solution 1

- 8
- 0450/21
- October/November
- 2025

Solution 1

(b) Mark scheme

- Consider the following three economies of scale for LB. Which
- economy of scale is likely to have benefited LB the most? Justify your
- answer.
- ▪
- Financial
- ▪
- Purchasing
- ▪

Solution 1

- Managerial
- Level
- Description
- 3
- Sound application of knowledge and understanding of
- relevant business concepts using appropriate
- terminology.
- Detailed discussion of two or more economies of
- scale.
- Well-justified conclusion.

Solution 1

- Candidates discussing all three economies of scale,
- in context and with a well-justified conclusion,
- including why the alternative economies of scale
- 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.

Solution 1

- Detailed discussion of at least one economy of scale.
- Judgement with some justification / some evaluation
- of choice made.
- Candidates discussing in detail two or more
- economies of scale 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.

Solution 1

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

Solution 1

- 0
- 12
- 0450/21
- October/November
- 2025
- Relevant points might include:
- Financial
- ▪
- Raise finance more easily and cheaply – as lower risk of
- not repaying debts due to larger size of business

Solution 1

- ▪
- Banks may offer lower interest rates – lower costs of
- borrowing for the expansion of the large business than if
- it was a smaller business
- Purchasing ▪
- Bulk buy components – discounts / cheaper prices for
- bulk purchases – reduces average / unit cost of
- components
- ▪
- May be able to lower prices – as average cost of each

Solution 1

- product is lower – becomes more competitive –
- increases sales of bathroom products – revenue
- increases
- Managerial ▪
- Specialist managers can be employed – better at their
- jobs / more knowledgeable as only carried out this task –
- e.g. marketing manager knows best place to advertise to
- be more cost efficient
- ▪
- Able to attract the most talented managers – more

Solution 1

- efficient in manufacturing luxury bathroom products
- Conclusion Justification might include:
- ▪
- Financial economies of scale will have the greatest effect
- as LB plans to expand and build a new factory in
- another country and will probably need to raise some of
- the finance by borrowing. This will keep down the
- repayment costs of expanding. LB is already producing
- on a large scale so the increased benefits from the
- purchasing and managerial economies may be limited

Solution 1

- leaving financial economies giving the biggest reduction
- in unit costs.
- ▪
- Purchasing economies of scale will have the greatest
- effect on LB's average costs as it produces bathroom
- products on a large scale so discounts on components
- will reduce unit costs by a significant amount, increasing
- gross profit and profit.
- ▪
- Managerial economies of scale will have the biggest

Solution 1

- effect on unit costs as all managers will be experienced
- in producing showers and baths and are specialists in
- their areas leading to efficiencies in all departments of
- the business.
- 0450/21
- October/November
- 2025

Question 1

0450/21 J25 ▪ Q1 ▪ 20 marks

1 **(a)** Explain **two** advantages and **two** disadvantages to Philip of changing PF from a sole trader business to a private limited company.

Question 1

Question 1

Question 1

Question 1

[8]

(b) Consider each of the following **three** methods PF could use to motivate its employees. Which method should PF use? Justify your answer.

- Paying bonuses
- Piece-rate
- Job rotation

Question 1

Question 1

[12]

Solution 1

(a) Mark scheme

- Explain two advantages and two disadvantages to Philip of changing PF
- from a sole trader business to a private limited company.
- Award 1 mark for each advantage/disadvantage (max 2 advantages/2
- disadvantages).
- Award a maximum of 1 additional mark for each explanation of the
- advantage/disadvantage applied to this context.
- Relevant advantages might include:
- ▪

Solution 1

- Limited liability – as the original investment of \$100 000 as well as his
- personal possessions are safe
- ▪
- More capital / easier to raise finance – as he can sell shares to fund the
- building of the new factory
- ▪
- Continuity – if Philip decides to leave the shoe making business, then PF
- will still exist
- ▪
- May be able to keep control – because he can decide whether to sell

Solution 1

- shares to expand the business
- Relevant disadvantages might include:
- ▪
- He would not be able to keep all the profits/pay dividends – from the
- manufacture of rubber shoes
- ▪
- No privacy / will have to share some financial details – from his forecast
- statement of financial position
- ▪
- Legal restrictions in setting up the business – which he would not have

Solution 1

- when he set up the business 10 years ago
- ▪
- Owner may not now have complete control / making all the decisions /
- being his own boss – such as where to locate the new factory
- For example: Will not be able to keep all the profit made (1) from selling the
- shoes he produces (app).
- Application could include: rubber shoes; natural rubber raw material; build a
- new factory; sells in a mass market; increase in taxes; bank loan for the new
- factory; sister wants to invest in the business; $100 000; wants to grow the
- business; produce a new range of shoes; operates in a very competitive

Solution 1

- market; started 10 years ago; information from Appendix 3.
- 8
- 0450/21
- May/June 2025

Solution 1

(b) Mark scheme

- Consider each of the following three methods PF could use to motivate
- its employees. Which method should PF use? Justify your answer.
- ▪
- Paying bonuses
- ▪
- Piece-rate
- ▪
- Job rotation

Solution 1

- Level
- Description
- 3
- Sound application of knowledge and understanding of
- relevant business concepts using appropriate terminology.
- Detailed discussion of two of more methods.
- Well-justified recommendation.
- Candidates discussing all three methods in detail, in
- context and with a well-justified recommendation,
- including why the alternative methods were rejected,

Solution 1

- 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 method.
- Judgement with some justification/some evaluation of
- choice made.
- Candidates discussing two or more methods in detail
- and applying them to the case should be rewarded with

Solution 1

- the top marks in the band.
- 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 all three methods in context should

Solution 1

- be rewarded with the top marks in the band.
- 1–4
- 0
- No creditable response.
- 0
- 12
- 0450/21
- May/June 2025
- Relevant points might include:
- Paying bonuses

Solution 1

- ▪
- May be flexible in the way it is paid – higher pay if
- the production team increase output of shoes –
- ensuring that they each work harder so the team
- has an increased payment
- ▪
- May bring pay up to the same rate paid by
- local businesses for similar work – employees
- less likely to leave – lowering PF's recruitment
- costs

Solution 1

- ▪
- May cause disagreements if only some of the 20
- employees are working hard – may be seen as
- unfair if all get the same bonus while not all the
- employees work as hard as each other
- ▪
- Paying a bonus is likely to mean profits for the
- business are lower than expected – may limit
- retained profit for expansion
- ▪

Solution 1

- Can become expected and if not paid then
- employees become demotivated – reducing
- productivity
- Piece-rate
- ▪
- Wages paid to employees will increase if there is a
- higher output, so workers will be motivated to
- increase their output and produce more shoes in
- a shorter time – increasing efficiency
- ▪

Solution 1

- If work is rushed to obtain more wages, then
- quality of the shoes might suffer – leading to a
- poor reputation for the business – fewer repeat
- customers – lower revenue in the future
- ▪
- May be hard to calculate the contribution of each
- employee to the total number of shoes produced
- ▪
- It may be seen as unfair by employees if different
- jobs produce more output than others – then

Solution 1

- motivation may reduce rather than increase
- 0450/21
- May/June 2025
- Job rotation
- ▪
- Production workers carry out one task for a period
- of time and then swap round to carry out another
- task using natural rubber to make the job more
- interesting and less boring – provides a greater
- variety of work

Solution 1

- ▪
- Makes rotating the workers around the new
- factory easier – so can fill in for colleagues who
- are absent – means less likely to have hold-ups in
- production – output produced on time
- ▪
- May require training for employees which
- increases costs – but once trained the employee
- should be more productive – a one-off cost that
- will not keep being paid

Solution 1

- Recommendation Justification might include:
- ▪
- Paying a bonus is the best way to motivate the 20
- employees as this will add extra to their wages
- for the work they do producing shoes and
- encourage them to work harder. Paying piece-
- rate may be difficult to calculate each week as
- employees do different jobs, and some may take
- longer than others. Job rotation may be difficult to
- introduce if the tasks are very different.

Solution 1

- ▪
- Paying workers using piece-rate is the best way
- to motivate employees as this means that
- employees who work harder producing shoes will
- be rewarded with higher wages which will make
- them feel it is all worth the effort, based on
- Taylor's theory of motivation.
- ▪
- Job rotation is the best way to motivate
- employees as this is the only one which makes

Solution 1

- the job of producing shoes more interesting and
- less boring. Money motivates only for a short
- time and then the effects will decrease.
- 0450/21
- May/June 2025

Question 1

0450/23 J25 ▪ Q1 ▪ 20 marks

1 **(a)** Explain **two** advantages and **two** disadvantages to Jemi of buying a franchise.

Question 1

Question 1

Question 1

Question 1

[8]

(b) Using Appendix 1 and other information, consider the following **two** applicants for the position of chef at Jemi's new restaurant. Which applicant should Jemi employ? Justify your answer.

- Tianna
- Vea

Question 1

Question 1

[12]

Solution 1

(a) Mark scheme

- Explain two advantages and two disadvantages to Jemi of buying a
- franchise.
- Award 1 mark for each advantage/disadvantage (max 2 advantages/max 2
- disadvantages).
- Award a maximum of 1 additional mark for each explanation of the
- advantage/disadvantage of buying a franchise which must be applied to this
- context.
- Relevant advantages might include:

Solution 1

- ▪
- Risk of business failure to the franchisee is much reduced – because the
- brand is well-known with people who like eating vegan meals
- ▪
- The franchisor pays for national advertising – reducing the costs of
- promotion for the restaurant
- ▪
- Supplies are obtained from central sources / quality will be assured as
- already checked by the franchisor – less need to research suppliers of
- plant-based ingredients

Solution 1

- ▪
- Fewer decisions to be made
- ▪
- Training for employees and management is provided/arranged by the
- franchisor
- ▪
- Banks may be more willing to lend as risk of failure is lower
- Relevant disadvantages might include:
- ▪
- Less independence than when operating a non-franchise business /

Solution 1

- franchisor will impose strict controls over what is allowed – which meals
- to sell
- ▪
- May be unable to make decisions to suit the local areas – and some local
- vegetables may be more popular than others nationally
- ▪
- Licence fee must be paid to the franchisor – costs $50 000
- ▪
- Local advertising will still have to be paid for by the franchisee
- ▪

Solution 1

- Royalty payment made to franchisor each year
- For example: The risk of business failure is much reduced (1) because the
- brand is well-known with people who like eating vegan meals (app).
- Application could include: restaurant; vegan target market; plant-based
- ingredients; meals; fruit and vegetables; $50 000; chefs; working 40 hours a
- week; 12 employees; increasing trend for people eating vegan meals; eating
- less meat is good for the environment; menus; recipes.
- 8
- 0450/23
- May/June 2025

Solution 1

(b) Mark scheme

- Using Appendix 1 and other information, consider the following two
- applicants for the position of chef at Jemi's new restaurant. Which
- applicant should Jemi employ? Justify your answer.
- ▪
- Tianna
- ▪
- Vea
- Level

Solution 1

- Description
- 3
- Sound application of knowledge and understanding of
- relevant business concepts using appropriate
- terminology.
- Detailed discussion of both applicants.
- Well-justified recommendation.
- Candidates discussing both applicants in detail, in
- context and with a well-justified recommendation,
- including why the alternative applicant was rejected,

Solution 1

- 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 applicant.
- Judgement with some justification/some evaluation of
- choice made.
- Candidates discussing at least one applicant in detail

Solution 1

- 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.
- Limited ability to discuss the applicants with little/no
- explanation.
- Simple judgement with limited justification/limited
- evaluation of choice made.

Solution 1

- Candidates outlining both applicants in context should
- be rewarded with the top marks in the band.
- 1–4
- 0
- No creditable response.
- 0
- 12
- 0450/23
- May/June 2025
- Relevant points might include:

Solution 1

- Tianna
- ▪
- Wage costs are $4 per hour more than Vea
- ▪
- Working 40 hours a week will mean wage costs will
- be 480*comparedto*320 for Vea
- ▪
- On-the-job training required by a chef at another
- franchise restaurant – cheaper to train than Vea at
- 1000*ratherthan*10 000

Solution 1

- ▪
- Training specific to franchise meals – training
- more appropriate and focused on VV needs – only
- requires a short period before ready to start work –
- 2 weeks
- ▪
- Already qualified chef with many years' experience
- – should settle to the VV job quickly – may have
- good ideas from working in several restaurants
- over 20 years – may be able to improve efficiency

Solution 1

- – reducing unit costs of meals
- Vea
- ▪
- Wages are cheaper at \$8 per hour than Tianna at
- \$12 per hour – working 40 hours then wage cost is
- \$320 – maybe helping to reduce total costs and
- increase profit
- ▪
- Off-the-job training at a chef training centre – may
- teach the latest techniques – so brings new ideas

Solution 1

- to the restaurant – may lead to increases in
- efficiency
- ▪
- Will be 10 weeks before they can start work as a
- fully qualified chef and this may delay the opening
- of the restaurant – delaying the inflow of revenue
- from customers
- ▪
- Only part-qualified so may not be as efficient and
- may produce lower quality meals

Solution 1

- ▪
- Has worked for 10 years assisting chefs in other
- vegan restaurants – may have more experience of
- producing these types of meals and the ingredients
- required
- Recommendation Justification might include:
- ▪
- Tianna should be employed to be the chef at the
- new vegan restaurant. She is fully qualified and
- will not take as long to be trained and working to

Solution 1

- produce franchise meals. Vea is not suitable as she
- is only part-qualified and will take a lot longer at 10
- weeks before she can start to work in the
- restaurant which may delay the opening.
- ▪
- Vea should be employed as she is a lot cheaper to
- employ than Tianna at $8 per hour giving a lower
- wage cost of $320 per week.
- 0450/23
- May/June 2025

Question 3

0450/11 N24 ▪ Q3 ▪ 20 marks

3 JTA is a public limited company. It sells holidays in a mass market. The business has 44 shops and 200 employees. The Finance Director is considering ways a business can increase its profit. She has been asked to analyse JTA's financial performance using ratio analysis. An extract from JTA's financial statements is shown in Table 3.1.

Table 3.1

Extract from JTA's financial statements for 2023 ($ million)	
Revenue	900
Profit	100
Capital employed	800

(a) Define 'capital employed'.

Question 3

(b) Calculate JTA's return on capital employed (ROCE). Show your working.

Question 3

(c) Outline **two** benefits to JTA of selling in a mass market.

Question 3

(d) Explain **one** advantage and **one** disadvantage of JTA being a public limited company.

Question 3

Question 3

Question 3

Question 3

Question 3

Question 3

(e) Do you think increasing prices is the best way for a business to increase its profit? Justify your answer.

Question 3

Solution 3

(a) Mark scheme

- Define 'capital employed'.
- Award two marks for a full definition. Award one mark for a
- partial definition.
- (Shareholders/owners) equity plus non-current liabilities and
- is the total long-term capital invested in the business [2]
- OR
- Value of all long-term finance invested in a business [2]
- OR

Solution 3

- Represents how much money has been invested in the
- business to pay for all assets [2]
- Partial definition e.g. finance/money invested in a business

1

- 2 Accept correct calculations for 2 marks:
- ▪
- Non-current assets + working capital
- ▪
- Long term liabilities plus equity
- ▪

Solution 3

- Total assets – current liabilities
- 0450/11
- October/November 2024
- Notes

Solution 3

(b) Mark scheme

- Calculate JTA's return on capital employed (ROCE).
- Show your working.
- Award 2 marks for a correct answer.
- Award 1 mark for correct method but incorrect answer.
- Correct answer:
- 12.5% [2]
- Method:
- Profit $\div$ capital employed $\times$ 100 [1]

Solution 3

- OR $100 \div 800 \times 100$ [1]
- If correct answer given with no working shown award 2
- marks.
- 2 Only award 1 mark if 12.5% is written as part of the answer
- but is not given as the final answer.

Solution 3

(c) Mark scheme

- Outline two benefits to JTA of selling in a mass market.
- Award 1 mark for each relevant benefit (max 2).
- Award 1 mark for each relevant reference to this business
- (max 2).
- Points might include:
-
  -
- High number of customers/sales [k] from its 44 shops

app

Solution 3

- ▪
- Spread risk [k] when selling holidays [app]
- ▪
- Economies of scale/examples of economies of scale [k]
- which could help increase its profit of $100m [app]
- ▪
- Opportunities for growth [k] for this public limited
- company [app]
- Other appropriate responses should be credited.
- 4 To use words from the stem as application, the reference

Solution 3

- 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:
- ▪
- Holidays
- ▪
- $900m (revenue)
- ▪
- $100m (profit)

Solution 3

- ▪
- 44 shops
- ▪
- Public limited company
- ▪
- 200 employees
- ▪
- (Finance director is considering) increase to profit
- Other appropriate examples can be credited.
- 0450/11

Solution 3

- October/November 2024
- Notes

Solution 3

(d) Mark scheme

- Explain one advantage and one disadvantage of JTA
- being a public limited company.
- 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:

Solution 3

- Advantages:
- ▪
- Able to raise more/large amount of finance [k] to fund
- growth [an] in this mass market [app]
- ▪
- No restrictions on buying/selling shares / can sell shares
- to general public [k] so can raise more/large amounts of
- finance [an]
- ▪
- Limited liability (for shareholders) [k] as personal assets

Solution 3

- do not have to sold if the business cannot pay its debts

an

- ▪
- Incorporated/separate legal identity [k]
- ▪
- Continuity [k] so the business will not have to close
- down on the death on any owner [an]
- Disadvantages:
- ▪
- Risk of takeover [k] of the holiday business [app] which

Solution 3

- could change the direction/objectives of the business

an

- ▪
- Many legal formalities to follow [k] which increases
- costs [an]
- ▪
- Have to publish accounts [k] which takes time away
- from other activities [an]
- ▪
- Business information can be seen by competitors [k]

Solution 3

- therefore they can copy ideas / find ways to compete
- with you [an]
- 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:
- ▪
- Holidays
- ▪

Solution 3

- Mass market
- ▪
- $900m (revenue)
- ▪
- $100m (profit)
- ▪
- $800m (capital employed)
- ▪
- 44 shops
- ▪

Solution 3

- 200 employees
- ▪
- (Finance director is considering) increase to profit
- Other appropriate examples can be credited.
- Some points can be [k] or [an] but only award once.
- 0450/11
- October/November 2024
- Notes
- ▪
- Shareholders expect dividends [k] which can decrease

Solution 3

- the amount of retained profit / increase cash outflows

an

- Other appropriate responses should be credited.
- 0450/11
- October/November 2024
- Notes

Solution 3

(e) Mark scheme

- Do you think increasing prices is the best way for a
- business to increase its profit? 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
- increasing price is the best way for a business to increase its
- profit.
- Points might include:

Solution 3

- Increasing prices:
- ▪
- Increases revenue (if sell the same amount of products)

k

- ▪
- Higher prices may suggest better quality [k] therefore
- customers will be willing to pay the higher prices. [an]
- ▪
- Fewer customers [k] because customers may switch to
- competitors [an] reducing their market share [an]

Solution 3

- ▪
- Increase profit margin [k]
- Alternatives to increasing prices:
- ▪
- Buy cheaper raw materials [k] which may lower quality

an leading to fewer sales [an]

- ▪
- Improve packaging/quality of product [k] increasing the
- number of sales [an]
- ▪

Solution 3

- Target new markets/develop new products [k] which
- could increase advertising costs [an]
- ▪
- Lower rent/expenses or other examples [k] lowering
- fixed costs [an]
- Other appropriate responses should be credited.
- 6 This is a general question so there are no marks for
- application.
- Some analysis can be used for different points, but only
- award once.

Solution 3

- Allow lower costs only once as either [k] or [an]
- Allow lower sales/higher sales as [an] only once.
- Customers may switch to competitors maybe [k] or [an] but
- allow only once.
- 0450/11
- October/November 2024
- Notes
- Justification might include:
- Increasing prices could increase revenue [k] if sales stay the
- same [an]. Reducing the cost of raw materials could

Solution 3

- increase the profit margin [k] but lower the quality [an].
- Increasing prices is a better way to increase profit because
- lower quality products could damage their reputation [eval]
- and higher prices if linked to quality may attract more
- customers [eval]
- Notes

Question 1

0450/22 N24 ▪ Q1 ▪ 20 marks

1 **(a)** Explain **two** advantages and **two** disadvantages of BB being a public limited company.

Question 1

Question 1

Question 1

Question 1

(b) Consider the advantages and disadvantages of the following **three** methods BB could use to motivate its production workers. Which method should BB use? Justify your answer.

- Piece rate
- Teamworking
- Job rotation

Question 1

Solution 1

(a) Mark scheme

- Explain two advantages and two disadvantages of BB being a public
- limited company.
- Award 1 mark for each relevant advantage/disadvantage (max 4).
- Award 1 additional mark for each explanation of the advantage/disadvantage
- applied to this context.
- Relevant advantages might include:
- ▪
- Able to sell shares to the public – so additional capital can be raised to

Solution 1

- finance the new factory
- ▪
- Rapid expansion possible by raising large sums of capital – to become a
- multinational company
- ▪
- Limited liability would encourage more people to invest in the public
- limited company
- ▪
- Continuity
- Relevant disadvantages might include:

Solution 1

- ▪
- Accounts available to the public – competing bike manufacturers can see
- the accounts
- ▪
- Pressure to pay large dividends to shareholders – this restricts the
- planned expansion for the children's bike
- ▪
- Risk of takeover/original owners may lose control – and use its flow
- production line to produce competitors' products
- ▪

Solution 1

- Divorce between ownership and control
- ▪
- More complex accounting and reporting requirements/more legal
- formalities
- For example: Able to sell shares to the public (1) so additional capital can be
- raised to finance the new factory (app).
- Application could include: new factory; bikes; flow production; wants to
- become a multinational company; bike manufacturer; exports 30%; target
- market of adults and young children; components of bikes e.g. gears; 100
- production workers; sells through specialist bike shops; high labour turnover;

Solution 1

- sales have increased every year since set up.
- 8
- 0450/22
- October/November
- 2024

Solution 1

(b) Mark scheme

- Consider the advantages and disadvantages of the following three
- methods BB could use to motivate its production workers. Which
- method should BB use? Justify your answer.
- ▪
- Piece rate
- ▪
- Teamworking
- ▪

Solution 1

- Job rotation
- Level
- Description
- 3
- Sound application of knowledge and understanding
- of relevant business concepts using appropriate
- terminology.
- Detailed discussion of two or more methods.
- Well-justified recommendation.
- Candidates discussing all three methods, in context

Solution 1

- and with a well-justified recommendation, including
- why the alternative methods 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 method.
- Judgement with some justification/some evaluation of

Solution 1

- choice made.
- Candidates discussing two or more methods 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 methods with little/no
- explanation.

Solution 1

- Simple judgement with limited justification/limited
- evaluation of choice made.
- Candidates outlining the three methods in context
- should be rewarded with the top marks in the band.
- 1–4
- 0
- No creditable response.
- 0
- 12
- 0450/22

Solution 1

- October/November
- 2024
- Relevant points might include:
- Piece rate
- -
- Employees would receive payment for each
- product/task they carry out – encourages them
- to work harder/carry out more tasks – produce
- more output – possibly increased sales from
- higher output of bikes

Solution 1

- ▪
- Taylor – increased pay leads to employees being
- more motivated and may reduce the high
- labour turnover
- ▪
- May be unfair if some tasks take longer than other
- tasks – so some employees gain more than
- others in higher payment – may demotivate some
- employees
- ▪

Solution 1

- If machinery breaks down, then the employees
- will earn less total pay
- ▪
- The 100 skilled production employees may
- work quickly to earn higher wages and hence may
- make more mistakes/reduce quality
- ▪
- May not be able to sell the increased output –
- increasing storage costs
- ▪

Solution 1

- May be difficult to measure the output of each of
- the 100 production employees – so difficult to
- calculate piece–rate and easier to stick to paying
- $10 per hour
- Teamworking
- ▪
- Production employees become more involved
- with the decision–making when working together
- in a team – makes them feel more valued as have
- more responsibility in the production process

Solution 1

- manufacturing bicycles
- ▪
- Feel have more control over tasks – more loyal
- to BB – less likely to leave so may reduce
- recruitment costs
- ▪
- Some parts of the flow production process may
- not easily be divided so a team of employees can
- work together/may not be easy to apply to the
- flow production process

Solution 1

- 0450/22
- October/November
- 2024
- Job rotation
- ▪
- Makes the employees' job more interesting/less
- boring
- ▪
- Change tasks around from one product to another
- on the flow production line – and may need

Solution 1

- different skills to complete this work
- ▪
- May keep working with different employees from
- the 100 production workers which employees
- prefer
- ▪
- May increase training requirements as each
- worker may only be able to perform one task –
- so may need additional training to carry out
- different tasks – increases costs for BB

Solution 1

- ▪
- Quality of bikes may be lower if employees are
- less specialised in different tasks
- ▪
- May mean sometimes a worker does a job that is
- not liked – may reduce motivation
- ▪
- May only be motivating in the short term until the
- worker gets used to the new tasks
- ▪

Solution 1

- Does not make the individual tasks themselves
- more interesting
- Recommendation
- Justification might include:
-
    -
- Introducing piece–rate should be chosen as it will
- motivate the 100 production employees to
- increase output to increase their wages. BB will
- earn a higher revenue if all output is sold, and
- employees are less likely to leave. Teamworking

Solution 1

- may make employees feel more motivated but
- may not lead to a higher output just happier
- production employees. Job rotation may not
- increase motivation if the different tasks are all
- equally boring on the production line.
- ▪
- Introducing teamworking should be chosen as
- this will make employees feel some control over
- the tasks they carry out on the flow production
- line and will give them chance to work together

Solution 1

- leading to higher motivation and they are less
- likely to leave.
- ▪
- Introducing job rotation between tasks producing
- bikes is the best method to choose because it
- will not cost BB any money if no training is
- required. It will give variety to the employees' jobs
- and will encourage them to stay at BB instead
- of leaving.
- 0450/22

Solution 1

- October/November
- 2024

Question 4

0450/11 J24 ▪ Q4 ▪ 20 marks

4 CFG is a social enterprise. It buys cocoa beans from local farmers and then uses the beans to make chocolate. Being ethical is important to the business. CFG has developed a new chocolate bar. The Marketing Manager plans to use skimming as its pricing method, and retailers as its distribution channel for the new product. He knows there are many legal controls over marketing that might affect a business.

(a) Define ‘social enterprise’.

Question 4

(b) Identify **two** ways legal controls over marketing might affect a business.

Question 4

(c) Outline **one** advantage and **one** disadvantage to CFG of using skimming as its pricing method.

Question 4

(d) Explain **one** advantage and **one** disadvantage to CFG of using retailers as its distribution channel for the new product.

Question 4

(e) Do you think being ethical will always lead to lower profit for a business? Justify your answer.

Solution 4

(a) Mark scheme

- Define 'social enterprise'.
- Award 2 marks for a full definition. Award 1 mark for a partial
- definition.
- An organisation that has social objectives as well as an aim
- to make a profit to reinvest back into the business [2]
- OR
- A business with social objectives that reinvests most of its
- profits back into the business/into benefiting society at large

Solution 4

2

- OR
- A business that seeks to raise income, which it invests in a
- specific social or environmental issue [2]
- OR
- A business set up to help society/a community rather than
- make a profit [2]
- Partial definition e.g. a business that aims to help/benefit
- society [1]
- 2

Solution 4

- 0450/11
- May/June 2024
- Notes

Solution 4

(b) Mark scheme

- Identify two ways legal controls over marketing might
- affect a business.
- Award 1 mark per way (max 2).
- Points might include:
- ▪
- No misleading promotion/advertising
- ▪
- No price fixing/charging very high prices where there is

Solution 4

- little or no competition
- ▪
- No selling faulty/dangerous goods/certain ingredients
- ▪
- Ensure products are fit for purpose
- ▪
- Price reductions must be genuine
- ▪
- Increased costs to meet the legal controls/pay fines
- ▪

Solution 4

- Spend longer time ensuring they meet the legal controls
- ▪
- May need to alter packaging
- ▪
- Restrictions on advertising certain products to some age
- groups/places.
- Other appropriate responses should also be credited.
- 2 Only award the first two responses given.
- 0450/11
- May/June 2024

Solution 4

- Notes

Solution 4

(c) Mark scheme

- Outline one advantage and one disadvantage to CFG of
- using skimming as its pricing method.
- 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 4

- ▪
- Helps establish a high-quality image/customers may
- think it is a good quality [k] which may also help as want
- to be ethical [app]
- ▪
- Can quickly recover research/development costs [k] which
- is important as developed a new product [app]
- ▪
- Higher revenue per item [k] for its chocolate [app]
- ▪

Solution 4

- May have a lower break-even output [k]
- Disadvantages:
- ▪
- High price might discourage (potential) customers [k] for
- this social enterprise [app]
- ▪
- High prices/profitability could encourage competitors to
- enter market [k] so may not be able to support local
- farmers [app]
- Other appropriate responses should be credited.

Solution 4

- 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:
- ▪
- Social enterprise
- ▪
- Cocoa beans
- ▪

Solution 4

- Local farmers
- ▪
- Chocolate (bar)
- ▪
- Retailers
- ▪
- Ethical
- ▪
- (Developed) a new product
- ▪

Solution 4

- Legal controls over marketing
- Other appropriate responses can be credited.
- 0450/11
- May/June 2024
- Notes

Solution 4

(d) Mark scheme

- Explain one advantage and one disadvantage to CFG of
- using retailers as its distribution channel for the new
- product.
- 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).

Solution 4

- Points might include:
- Advantages:
- ▪
- Producers can sell in large quantities to retailers [k]
- increasing revenue [an] from its new product [app]
- ▪
- Reduced costs (compared to selling direct to
- consumers) [k] increasing profit margin [an] in this
- social enterprise [app]
- ▪

Solution 4

- Retailer shares the cost of holding inventory [k] lowering
- expenses [an]
- ▪
- Retailers will promote the product [k] reducing the cost of
- promotion/increasing sales [an]
- ▪
- Access wider range of customers [k]
- Disadvantages:
- ▪
- No direct contact with consumer [k] about its chocolate

Solution 4

- bar [app] so may not adapt to changing needs [an]
- ▪
- Final price (paid by consumer) is often high [k] so may
- be uncompetitive [an]
- ▪
- Retailer takes some of profit away from the producer [k]
- ▪
- Producer loses some control of marketing mix [k]
- ▪
- Retailers usually sell competitors' products as well [k]

Solution 4

- Other appropriate responses should also 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:
- ▪
- Social enterprise
- ▪
- Cocoa beans

Solution 4

- ▪
- (Make) bars of chocolate
- ▪
- Ethical
- ▪
- (Local) farmers
- ▪
- Legal controls over marketing
- Other appropriate responses can be credited.
- 0450/11

Solution 4

- May/June 2024
- Notes

Solution 4

(e) Mark scheme

- Do you think being ethical will always lead to lower
- profit for a business? 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 justified decision as to whether
- being ethical will always lead to lower profit for a business.
- Points might include:
- ▪

Solution 4

- Limited/fewer sources of materials [k] leading to less
- output [an]
- ▪
- Higher cost of materials [k] leading to higher variable
- costs/cost of goods [an] which lowers gross profit
- margin [an]
- ▪
- Workers may have to be paid more/fair pay [k]
- increasing labour costs [an]
- ▪

Solution 4

- May take time to source ethical supplies [k] which could
- delay production [an]
- ▪
- Good image/reputation [k] so can charge high(er) prices/
- lead to customer loyalty [an]
- ▪
- High(er) demand / increase sales / enter new market /
- more customers [k] which could increase revenue [an]
- ▪
- Help recruit/motivate/retain workers [k] leading to lower

Solution 4

- absenteeism/increased productivity [an]
- ▪
- Investors more likely to invest [k]
- ▪
- Can help create better supplier relations (by paying a
- fair price) [k]
- ▪
- Less opposition from pressure groups [k]
- 6 This is a general question so there are no marks for
- application.

Solution 4

- Increase cost can be awarded as [k] once where candidates
- do not refer to specific examples of costs.
- Do not credit answers which relate to the costs of being
- unethical as this is NAQ.
- 0450/11
- May/June 2024
- Notes
- Justification might include:
- Being ethical could mean having to pay more to suppliers [k]
- increasing variable costs [an]. However, this could improve

Solution 4

- the business's reputation [k] allowing them to increase prices

an . Being ethical will not always mean lower profit because

- a better reputation is likely to attract more customers [eval],
- and the extra revenue gained could cover the costs
- increasing profit overall [eval].