

Past-paper walk-through

Marketing, competition and the customer ■ 3.1

eXercise

Questions in this set

- 0450/22 N25 Q2 ■ 20 marks
- 0450/12 J25 Q1 ■ 20 marks
- 0450/21 J25 Q2 ■ 20 marks
- 0450/23 J25 Q2 ■ 20 marks
- 0450/11 J24 Q3 ■ 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 2

0450/22 N25 ■ Q2 ■ 20 marks

- 2 (a)** Explain **two** benefits and **two** limitations of a business operating in a niche market.

Question 2

Question 2

Question 2

Question 2

[8]

(b) Using Appendix 2 and other information, consider the following **three** elements of the possible marketing mix for FF's new shop. Which element is likely to be the most important? Justify your answer.

- Price – cost-plus pricing
- Place – selling some flowers through wedding planners
- Promotion – television advertising

Question 2

Question 2

[12] _

Solution 2

(a) Mark scheme

- Explain two benefits and two limitations of a business operating in a
- niche market.
- Award 1 mark for each benefit/limitation (max 2 benefits/2 max limitations).
- Award a maximum of 1 additional mark for each explanation of the
- benefit/limitation.
- There are no application marks for this question.
- Relevant benefits might include:
- ■

Solution 2

- Fewer businesses may be competitors in this part of the market – less
- need to spend on marketing the product
- ■
- The needs of the consumer can be more closely focused on – therefore
- their needs will be met giving high consumer satisfaction
- ■
- Increased sales and revenue as product meets customer needs
- ■
- Higher price can be charged – as product may be seen as high-status or
- exclusive

Solution 2

- ■
- Increased customer loyalty
- Relevant limitations might include:
 - ■
 - Niche markets are usually relatively small – therefore sales are likely to
 - be smaller than in a mass market
 - ■
 - Limits potential growth in the market – profits may be limited in the future
 - ■
 - May mean the business specialises in one product – increased risk if the

Solution 2

- product has a fall in demand
- ■
- Small size of the market means that economies of scale are unlikely –
- resulting in higher unit costs
- ■
- High profits may attract competitors into the market – prices may have to
- be reduced
- For example: The business can focus more closely on customer needs (1)
- therefore their needs will be met giving high consumer satisfaction (1).
- 8

Solution 2

- 0450/22
- October/November
- 2025

Solution 2

(b) Mark scheme

- Using Appendix 2 and other information, consider the following three
- elements of the possible marketing mix for FF's new shop. Which
- element is likely to be the most important? Justify your answer.
- ■
- Price – cost-plus pricing
- ■
- Place – selling some flowers through wedding planners
- ■

Solution 2

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

Solution 2

- elements 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 element.
- Judgement with some justification / some evaluation of
- choice made.
- Candidates discussing two or more elements in detail and

Solution 2

- 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 elements with little/no
- explanation.
- Simple judgement with limited justification / limited
- evaluation of choice made.

Solution 2

- Candidates outlining the three elements in context should
- be rewarded with the top marks in the band.
- 1–4
- 0
- No creditable response.
- 0
- 12
- 0450/22
- October/November
- 2025

Solution 2

- Relevant points might include:
- Advantages
- Disadvantages
- Price – cost-
- plus pricing
- ■
- Method is relatively easy
- to apply
- ■
- Different mark-ups can be

Solution 2

- applied for different brides
- depending on the type of
- flowers used in the
- arrangement
- ■
- Each product sold can
- earn a higher profit for the
- business – as it can
- closely meet the
- requirements of the

Solution 2

- individual customer in this
- niche market – and
- charge a higher price for
- the flower arrangement
- ■
- Need to calculate total
- costs to be able to
- calculate the price to
- charge for wedding
- flowers – may take

Solution 2

- time to collect the
- figures and may not
- be accurate if difficult
- to calculate the
- proportion of fixed
- costs per product
- ■
- Price may be higher
- than price of
- competitors' –

Solution 2

- reducing sales and
- revenue
- ■
- Profit overall is only
- made if sufficient
- sales are made to
- cover fixed costs as
- well as the variable
- costs
- ■

Solution 2

- There is no incentive
- to reduce costs – as
- any increase in costs
- will be passed on to
- the customer
- 0450/22
- October/November
- 2025
- Advantages
- Disadvantages

Solution 2

- Place –
- selling some
- flowers
- through
- wedding
- planners
- ■
- May have a larger market
- as now also sell to
- businesses that plan

Solution 2

- weddings for customers –
- may have higher revenue
- from sales of wedding
- flowers
- ■
- All storage costs paid by
- the wedding planner –
- may reduce costs for FF –
- flowers are perishable
- and may need specialist

Solution 2

- equipment to keep the
- high quality of the flowers
- ■
- Promotional activities are
- carried out and paid for by
- the wedding planner
- ■
- Part of the profit kept
- by the wedding
- planner – as

Solution 2

- discounts will be
- required by the
- wedding planner –
- lower return for
- Kathryn on her
- investment in her
- small business
- ■
- Slower way to get the
- flower arrangements

Solution 2

- to the customer –
- wedding flowers may
- lose quality as not as
- fresh when stored for
- longer periods of time
- ■
- Does not have
- complete control over
- the way the business
- is marketed – cannot

Solution 2

- display flower
- arrangements in the
- way chosen by
- Kathryn
- ■
- May be higher price
- as includes the
- wedding planner's
- profit – may be less
- competitive

Solution 2

- 0450/22
- October/November
- 2025
- Advantages
- Disadvantages
- Promotion –
- television
- advertising
- ■
- The advert will be seen by

Solution 2

- a large audience –
- potentially increases the
- target market – increasing
- sales and revenue
- ■
- The wedding flowers and
- arrangements can be
- shown in a very
- favourable way – with
- happy brides holding their

Solution 2

- flowers – moving images
- can convey the mood of
- high-quality products and
- enjoyable celebrations –
- increasing sales
- ■
- May encourage customers
- to visit the shop when they
- might not otherwise be
- aware of the shop

Solution 2

- ■
- Can target adverts to be
- shown during TV shows
- that the target market may
- be watching – such as
- bridal/wedding
- programmes
- ■
- Can be very
- expensive –

Solution 2

- increasing costs for
- FF
- ■
- FF may not be able to
- afford many adverts –
- so reducing their
- effectiveness as not
- on television very
- often
- ■

Solution 2

- Young consumers
- who are getting
- married may not
- watch television very
- often as more likely to
- use social media –
- reducing effectiveness
- of advertising and
- reducing potential
- sales

Solution 2

- Conclusion
- Justification might include:
 - ■
- Cost-plus pricing will be the most important element of
- the marketing mix as it will allow different mark-ups for
- different flower arrangements for high income
- customers who are getting married leading to higher
- revenue and possibly more profit. Selling to wedding
- planners may reduce the high-quality of the flowers as
- it may take longer to get to the customer, reducing

Solution 2

- customer satisfaction and television advertising may be
- limited given the large budget needed to have a
- television campaign.
- ■
- Selling to wedding planners will allow Kathryn to
- increase the number of customers for her flowers to
- use in arrangements and flower arrangements for
- weddings – this may give word-of-mouth advertising –
- leading to higher sales from the shop.
- ■

Solution 2

- Advertising on television may mean that customers
- from across the city are likely to see the adverts and
- visit the shop – leading to higher sales of wedding
- flowers.
- 0450/22
- October/November
- 2025

Question 1

0450/12 J25 ■ Q1 ■ 20 marks

- 1 NFC manufactures shoes using batch production. Quality assurance is used to maintain quality. NFC uses market segmentation. The Marketing Director is reviewing NFC's product range. He knows there are both benefits and limitations to developing new products. He also knows the promotion of products is important.
 - (a) Define 'batch production'.

Question 1

(b) Identify **two** aims of promotion.

Question 1

Question 1

Question 1

Question 1

- (c) Outline **one** advantage and **one** disadvantage to NFC of using quality assurance.

Question 1

Question 1

(d) Explain **two** benefits to NFC of using market segmentation.

Question 1

Question 1

Question 1

Question 1

Question 1

Question 1

- (e) Do you think the benefits for a business of developing new products are greater than the limitations? Justify your answer.

Solution 1

(a) Mark scheme

- Define 'batch production'.
- Award 2 marks for a full definition. Award 1 mark for a partial
- definition.
- ■
- Where a quantity/group of one product is made, then a
- quantity of another product will be produced [2]
- ■
- A whole batch/group moves through the different stages

Solution 1

- of production together [2]
- Partial definition e.g.
- ■
- Similar items made together/items made in a group/set

1

- ■
- Moving together through different stages of production

1

- 2 One mark for idea of a group/set of products.

Solution 1

(b) Mark scheme

- Identify two aims of promotion.
- Award 1 mark for each aim (max 2).
- Points might include:
 - ■
 - To raise awareness/inform/remind people about
 - products/services
 - ■
 - To persuade/attract (new) consumers / increase

Solution 1

- sales/revenue
 - ■
- To create/maintain brand/company image/reputation
 - ■
- Ensure/build customer loyalty/encourage repeat purchases
 - ■
- To introduce new products on to the market
 - ■
- To compete with competitors' products/differentiate from

Solution 1

- competitors
- Other appropriate responses should be credited.
- 2 Only award the first two responses given.
- 0450/12
- May/June 2025
- Guidance

Solution 1

(c) Mark scheme

- Outline one advantage and one disadvantage to NFC of
- using quality assurance.
- 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 1

- ■
- Errors can be spotted earlier/during production [k] of the
- shoes [app]
- ■
- Can motivate employees [k] so may be willing to offer
- ideas for its product range [app]
- ■
- No need to recruit quality inspectors [k]
- Disadvantages:
- ■

Solution 1

- All (production) workers need training/time/cost to train
- workers [k] which may take funds away from developing
- new products [app]
- ■
- Not all workers are interested/able to spot problems [k]
- during batch production [app]
- ■
- May slow down production [k]
- Other appropriate responses should be credited.
- 4 To use words from the stem as application, the reference

Solution 1

- 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:
 - ■
 - Shoes
 - ■
 - Batch (production)
 - ■
 - Promotion (of products)

Solution 1

- ■
- Developing new products
- ■
- Product range
- ■
- Market segmentation
- Other appropriate examples can be credited.
- 0450/12
- May/June 2025
- Guidance

Solution 1

(d) Mark scheme

- Explain two benefits to NFC of using market segmentation.
- Award 1 mark for identification of each relevant benefit (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

- ■
- Can design/produce goods to meet specific needs of
- consumers/know what to produce [k] so that
- costs/materials are not wasted (producing wrong
- product) [an] especially as plan to develop new products

app

- ■
- Help target advertising/marketing strategies [k] to
- ensure maximum number of people see the products

an which is an aim of promotion [app]

Solution 1

- ■
- Identify gaps in the market/new opportunities [k] for its
- shoes [app] which can help spread risk [an]
- ■
- May make marketing expenditure more effective [k] so
- do not waste money/resources [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 1

- The following words are likely to be appropriate for this
- question:
- ■
- Shoes
- ■
- Batch production
- ■
- Quality assurance
- ■
- Promotion (of products)

Solution 1

- ■
- Develop new products
- Other appropriate examples can be credited.
- Do not award answers about the benefits of market
- research.
- 0450/12
- May/June 2025
- Guidance

Solution 1

(e) Mark scheme

- Do you think the benefits of developing new products
- for a business are greater than the limitations? 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 benefits of developing new products for a business are
- greater than the limitations.

Solution 1

- Points might include:
- Benefits:
- ■
- Increase demand/customer (base)/sales [k] which may
- increase revenue/market share [an]
- ■
- Can help spread risk/diversification [k] if sales fall for
- one product, this can be offset by sales of another
- product [an]
- ■

Solution 1

- Provide competitive advantage/unique selling point
- (USP) [k] which could increase customer/brand loyalty

an

- ■
- Enter new markets [k]
- ■
- Improve brand recognition/reputation [k]
- Limitations:
- ■
- Must produce new/trial products/more raw materials [k]

Solution 1

- increases costs [an]
- ■
- Need to carry out market research [k] increases cash
- outflows [an]
- ■
- Need to launch/promote/market the new product [k]
- ■
- Often requires large capital expenditure/cost of new
- machinery [k]
- ■

Solution 1

- May need to recruit/train additional
- employees/specialists [k]
- Other appropriate responses should be credited.
- 6 This is a general question so there are no marks for
- application.
- To access evaluation must discuss at least one benefit and
- one limitation.
- For evaluation to be awarded justification will usually follow
- on from relevant analysis of points.
- 0450/12

Solution 1

- May/June 2025
- Guidance
- Justification might include:
 - New products can help increase potential sales [k] which
 - increases revenue [an]. However, there is a cost of
 - developing new products [k] which increases cash outflows
- an . The benefits of developing new products are greater
 - because the extra revenue gained could cover the additional
 - costs [eval] which can increase the chance of growth/long
 - term survival [eval].

Solution 1

- Guidance

Question 2

0450/21 J25 ■ Q2 ■ 20 marks

- 2 (a)** Explain **one** advantage and **one** disadvantage of PF selling its products in a mass market.

Question 2

Question 2

Question 2

Question 2

Question 2

Question 2

[8]

(b) Consider the following **three** factors that may influence the location of PF's new factory. Which factor is likely to be the most important when deciding on the location? Justify your answer.

- Availability of raw materials
- Transport links
- Government influence

Question 2

Question 2

[12] _

Solution 2

(a) Mark scheme

- Explain one advantage and one disadvantage of PF selling its products
- in a mass market.
- Award 1 mark for each advantage/disadvantage of selling in a mass market
- (max 2).
- Award a maximum of 3 additional marks for each explanation of the
- advantage/disadvantage of selling in a mass market – one of which must be
- applied to this context.
- Relevant advantages might include:

Solution 2

- ■
- Total sales in the market may be very high – giving the potential for high
- revenue – possibly leading to high profits if costs are kept under control
- ■
- May be able to benefit from economies of scale – as production is on a
- large scale and so may benefit from purchasing economies – leading to
- lower costs per unit / lower average costs
- ■
- Risks are spread if several variations of the mass market product are
- produced – less likely to be affected by changes in consumer spending

Solution 2

- habits – so sales and revenue remain high even if the sales of one
- product fall
- ■
- Opportunities for the business to grow as high sales/large customer
- base/high demand
- ■
- Can produce a standardised product – production costs are lower than if
- many variations of the product are produced
- Relevant disadvantages might include:
- ■

Solution 2

- Likely to be high levels of competition between businesses selling similar
- products – may need to reduce prices to remain competitive / reduce
- costs – may lead to lower profit margins
- ■
- High costs of advertising and promotion – as need to attract a much wider
- market to see the adverts such as on TV – so advertise using many and
- varied types of promotion to ensure the product is seen
- ■
- The products are standardised so unlikely to meet the specific needs of
- all customers or potential customers – so some potential customers may

Solution 2

- not purchase the product – leading to a loss of potential sales
- ■
- May reduce opportunities if consumers are demanding more variety in the
- products they buy – preferring niche market products – so may lose out to
- sales from many smaller competitors
- For example: Total sales to the market may be very high (1) which is likely to
- give the potential for high revenue (1) from the high sales of shoes (app).
- Possibly leading to high profits if costs are kept under control (1).
- Application might include: rubber shoes; natural rubber raw material; building
- a new factory; rubber is grown locally; increase in taxes; bank loan for new

Solution 2

- factory; sister wants to invest in the business; \$100 000; operates in a very
- competitive market; started 10 years ago; information from Appendix 3.
- 8
- 0450/21
- May/June 2025

Solution 2

(b) Mark scheme

- Consider the following three factors that may influence the location of
- PF's new factory. Which factor is likely to be the most important when
- deciding on the location? Justify your answer.
- ■
- Availability of raw materials
- ■
- Transport links
- ■

Solution 2

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

Solution 2

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

Solution 2

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

Solution 2

- 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:
- Availability of

Solution 2

- raw materials
- ■
- Natural rubber is available locally then this will
- reduce the transport costs – reducing PF's costs
- ■
- May make supplying extra raw materials at short
- notice easier – especially if an urgent order is taken
- – customer satisfaction more likely to be assured
- so customers may be more loyal – maintaining a
- regular source of revenue

Solution 2

- ■
- Forests are nearby then likely to have better
- relationship with suppliers – may be more willing to
- give trade credit
- Transport links ■
- If transport links are good, finished shoes are likely
- to reach the market more quickly – reducing
- transport costs for deliveries
- ■
- If transport links are good delivery vehicles will be

Solution 2

- less likely to be stuck in traffic/congestion which
- increases costs of paying the driver and the fuel for
- the vehicle – quicker to access raw materials
- especially if PF uses JIT
- ■
- May be easier for employees to get to work – less
- likely to be late / arrive on time for shift – more
- efficient production
- ■
- May be able to attract employees from a wider area

Solution 2

- if transport links are good – may be easier to recruit
- enough workers – making it easier to start
- production at the new factory
- 0450/21
- May/June 2025
- Government
- influence
- ■
- Government grants may be available to businesses
- that locate in a particular area – which reduces the

Solution 2

- costs of setting up the new factory in that area
- ■
- Often offered in areas that have high levels of
- unemployment – so there may be many people
- willing and able to work so easier to find employees
- for the new factory
- ■
- Government grants may be given to help with
- training costs to produce shoes – so training costs
- may not be as high as expected

Solution 2

- ■
- There may be restrictions on the use of the land or
- emissions from the factory that may affect its
- operation
- Conclusion
- Justification might include:
- ■
- Availability of natural rubber as without raw
- materials PF cannot produce any output. So, it is
- essential that raw materials are nearby so the

Solution 2

- factory can always operate. Transport links are less
- important if the market is nearby as delays will not
- cause major problems if the journey is short.
- Government influence may only be important at the
- set-up stage of the factory so will not be helpful in
- the long run.
- ■
- Good transport links are essential as delays in
- deliveries of shoes to the market may lead to a
- decrease in customer loyalty.

Solution 2

- ■
- Government influence is most important as grants
- can significantly reduce the set-up and training
- costs for employees to manufacture shoes
- making it more likely to be a success.
- 0450/21
- May/June 2025

Question 2

0450/23 J25 ■ Q2 ■ 20 marks

- 2 (a)** Explain **two** benefits of market segmentation for VV.

Question 2

Question 2

Question 2

Question 2

Question 2

Question 2

[8]

(b) Using Appendix 2 and other information, consider the following **three** possible locations for Jemi's new restaurant. Which location should Jemi choose? Justify your answer.

- Location A
- Location B
- Location C

Question 2

Question 2

[12]

Solution 2

(a) Mark scheme

- Explain two benefits of market segmentation for VV.
- Award 1 mark for each benefit (max 2).
- Award a maximum of 3 additional marks for each explanation of the benefit of
- market segmentation – one of which must be applied to this context.
- Relevant benefits might include:
 - ■
 - Gain more sales – by appealing to the specific needs of customers in this
 - segment – better meets customer needs

Solution 2

- ■
- Attracts new customers – may find it easier to fill a gap in the market
- currently not being met by other businesses
- ■
- May be able to charge higher prices – as customers willing to pay higher
- price for specific product – increases revenue
- ■
- Increases customer loyalty – service can be designed to meet the exact
- customer needs of the market segment
- ■

Solution 2

- May make it easier to compete with businesses that serve the mass
- market
- ■
- Marketing budget may be used more effectively – marketing strategies
- can be focused on the specific target market
- For example: VV may be able to charge higher prices (1) for the vegan meals
- served in the restaurant (app) because customers may be more willing to pay
- a higher price for specific products that meets their exact needs (1) which may
- lead to higher revenue for VV (1).
- Application could include: restaurant; vegan target market; plant-based

Solution 2

- 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 2

(b) Mark scheme

- Using Appendix 2 and other information, consider the following three
- possible locations for Jemi's new restaurant Which location should
- Jemi choose? Justify your answer.
- ■
- Location A
- ■
- Location B
- ■

Solution 2

- Location C
- Level
- Description
- 3
- Sound application of knowledge and understanding of
- relevant business concepts using appropriate
- terminology.
- Detailed discussion of two or more locations.
- Well-justified recommendation.
- Candidates discussing all three locations in detail, in

Solution 2

- context and with a well-justified recommendation,
- including why the alternative locations 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 location.
- Judgement with some justification/some evaluation of

Solution 2

- choices made.
- Candidates discussing two or more locations in detail
- and applying them 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 locations with little/no
- explanation.

Solution 2

- Simple judgement with limited justification/limited
- evaluation of choices made.
- Candidates outlining all three locations in context
- should be rewarded with the top marks in the band.
- 1–4
- 0
- No creditable response.
- 0
- 12
- 0450/23

Solution 2

- May/June 2025
- Relevant points might include:
 - Advantages
 - Disadvantages
 - Location A
 - ■
 - May be able to charge
 - a higher price for
 - meals – area visited
 - by large number of

Solution 2

- tourists – higher
- revenue
- ■
- On a main road in the
- city centre makes it
- easily accessible –
- likely to have good
- transport links may
- enable a wider range
- of potential

Solution 2

- employees as can
- easily get to the
- restaurant
- ■
- May attract workers
- in the city – as in the
- centre which makes it
- easily accessible as
- near to where they
- work

Solution 2

- ■
- May be seasonal
- demand from tourists
- – high revenue at
- certain times of the
- year but lower at other
- times of the year –
- may cause cash flow
- problems
- ■

Solution 2

- High rent in city centre
- leads to higher costs
- ■
- High competition in
- the area so may have
- to keep prices lower –
- could reduce revenue
- and increased costs
- may mean this is a
- less profitable location

Solution 2

- ■
- Low unemployment
- – may make it more
- difficult to recruit
- employees
- Location B
- ■
- No other restaurants
- in the mall so no
- competition – may be

Solution 2

- able to charge higher
- prices – leading to
- higher revenue
- ■
- Many families visit
- the shopping mall
- leading to many
- potential customers –
- larger groups
- increasing revenue

Solution 2

- ■
- Low unemployment
- – people have more
- income to spend –
- increases demand for
- meals in restaurants
- ■
- Only open 06:00 to
- 18:00 each day so
- limited opening hours

Solution 2

- for the restaurant –
- may reduce revenue
- as fewer customers
- ■
- No restaurants in the
- mall so people may
- not expect to eat there
- 0450/23
- May/June 2025
- Advantages

Solution 2

- Disadvantages
- Location C
- ■
- Likely to be less
- competition than in
- the city centre
- ■
- High unemployment
- may make it easier to
- recruit staff – at lower

Solution 2

- wage rate – lower
- wage costs overall
- ■
- Likely to have lower
- rent as in a town not a
- city
- ■
- Local people are main
- customers – may not
- be high number of

Solution 2

- customers – lower
- revenue
- ■
- High unemployment
- may mean incomes
- are lower in the town
- – leading to lower
- demand for restaurant
- meals
- ■

Solution 2

- Several restaurants in
- the town so
- competition in the
- area – may lead to
- lower prices and/or
- lower revenue
- Recommendation Justification might include:
 - ■
- Location A should be chosen as it is likely to have
- the highest number of customers as it is in a

Solution 2

- tourist area and in the city centre. Location B has
- limited opening hours so will reduce revenue
- earned and location C is in a small town reducing
- the likely number of customers.
- ■
- Location B should be chosen as it is in a shopping
- mall and is visited by families. Therefore, there are
- likely to be many families wanting to eat at the
- restaurant as meals containing fruit and vegetables
- were reported to be healthier for children leading

Solution 2

- to larger groups and high revenue.
- ■
- Location C should be chosen as it is visited by
- people who live in the town and should have
- customers all year round and the hours it can open
- are not limited so can open later in the evening to
- serve more customers and gain more revenue.
- 0450/23
- May/June 2025

Question 3

0450/11 J24 ■ Q3 ■ 20 marks

- 3 IDT manufactures clothes for the mass market. It is a multinational company with factories in 4 countries. IDT has short-term and long-term financial needs. The Finance Director is analysing IDT's statement of financial position. An extract is shown in Table 3.1. He has been asked to calculate working capital and to explain how an increase in non-current liabilities might affect IDT.

Table 3.1

Extract from IDT's statement of financial position (\$ million)		
	2022	2023
Current assets	380	420
Current liabilities	250	280
Non-current liabilities	300	400

Question 3

(a) Define 'mass market'.

Question 3

(b) Calculate IDT's working capital in 2023.

Question 3

(c) Outline **one** reason why IDT might need the following types of finance:

Question 3

(d) Explain **two** ways an increase in non-current liabilities might affect IDT.

Question 3

- (e) Explain **two** advantages to a business of being a multinational company. Which advantage do you think is likely to be the most important? Justify your answer.

Solution 3

(a) Mark scheme

- Define 'mass market'.
- Award 2 marks for a full definition. Award 1 mark for a partial definition.
- Where there are a large number of sales of a product [2]
- OR
- A large market containing lots of customers buying similar products [2]
- Partial definition e.g. lots of sales/customers [1]

Solution 3

- OR lots of buyers [1]
- OR market for goods that are produced in large quantities

1

- 2 For two marks candidates must have the idea of a
- 'Large number of sales' and it is for 'one product'.
- 0450/11
- May/June 2024
- Notes

Solution 3

(b) Mark scheme

- Calculate IDT's working capital in 2023.
- Award 2 marks for correct answer.
- Award 1 mark for correct method but incorrect answer.
- Correct answer: \$140 million [2]
- Correct method e.g. $420 - 280$ [1]
- OR
- Current assets – current liabilities [1]
- If correct answer given with no working shown award two

Solution 3

- marks.
- 2 Award only 1 mark if \$140 million is written as part of the
- answer but is not given as the final answer.
- Award max 1 where candidate calculates working capital for
- 2022 using the correct method i.e. \$130 million [1].
- For 2 marks the answer must have the right units
- i.e. million/m in answer.
- 0450/11
- May/June 2024
- Notes

Solution 3

(c) Mark scheme

- Outline one reason why IDT might need the following
- types of finance:
- Award 1 mark for each relevant reason (max 2).
- Award 1 mark for each relevant reference to this business
- (max 2).
- Points might include:
- Short-term finance:
- ■

Solution 3

- To pay day-to-day costs/working capital [k] when making
- clothes [app]
- ■
- Improve cash flow position/liquidity [k] of the
- multinational company [app]
- ■
- Meet any unexpected emergencies/opportunities [k]
- Long-term finance:
- ■
- Fund expansion/growth [k] such as the new factory

Solution 3

app

- ■

- Purchase non-current assets [k] in one of the 4 countries

app

- ■

- Develop new products [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 3

- The following words are likely to be appropriate for this
- question:
 - ■
 - Multinational company
 - ■
 - Clothes or related words such as shirts, trousers
 - ■
 - Manufacturer
 - ■
 - Mass market

Solution 3

- ■
- Factory
- ■
- 4 countries
- ■
- \$140 million (working capital)
- ■
- \$280 million (current liabilities)
- ■
- \$400 million (non-current liabilities)

Solution 3

- Other appropriate examples can be credited.
- 0450/11
- May/June 2024
- Notes

Solution 3

(d) Mark scheme

- Explain two ways an increase in non-current liabilities
- might affect IDT.
- 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 3

- Must pay interest [k] on the \$400 m [app] which
- increases expenses/cash outflows [an]
- ■
- Difficult to raise additional finance/more collateral
- required [k] as lenders may worry whether the business
- will be able to repay [an] despite being a multinational
- company [app]
- ■
- More difficult to repay loans/more debt to pay back [k]
- increases financial risk [an] for this clothing retailer [app]

Solution 3

- 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:
 - ■
 - Multinational company
 - ■
 - Clothes or related words such as shirts, trousers

Solution 3

- ■
- Manufacturer
- ■
- Mass market
- ■
- Factory
- ■
- 4 different countries
- ■
- Working capital / \$140 million

Solution 3

- ■
- \$400 million (non-current liabilities)
- ■
- \$280 million (current liabilities)
- ■
- \$420 million (current assets)
- Other appropriate examples can be credited.
- 0450/11
- May/June 2024
- Notes

Solution 3

(e) Mark scheme

- Explain two advantages to a business of being a
- multinational company. Which advantage do you think is
- likely to be the most important? 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
- likely to be the most important advantage to a business of
- being a multinational company.

Solution 3

- Points might include:
 - ■
 - Increase sales/new customers/access new markets [k]
 - increasing revenue [an]
 - ■
 - Improve brand image/reputation [k] to help
 - increase/maintain customer loyalty [an]
 - ■
 - Spreading risk [k] as not reliant on one market for all its
 - sales/fall in sales in one country can be offset by

Solution 3

- increase in another [an]
- ■
- Economies of scale [k] leading to lower average/unit
- costs [an]
- ■
- Easier access to/cheaper raw materials [k] reducing
- transport costs [an]
- ■
- Lower cost of labour (in some countries) [k] improving
- profit margin [an]

Solution 3

- ■
- Avoid import quotas/tariffs [k]
- ■
- Lower/favourable tax rates/government grants/subsidies
- k
- Other appropriate responses should be credited.
- 6 This is a general question so there are no marks for
- application.
- 0450/11
- May/June 2024

Solution 3

- Notes
- Justification might include:
 - An advantage is access to new markets [k] increasing
 - revenue [an]. Also easier access to raw materials [k] may
 - reduce transport costs [an]. Access to raw materials is more
 - important because lower costs may lead to lower prices
 - helping the business be more competitive [eval] and improve
 - their market share [eval].
- Notes