

Past-paper walk-through

Production of goods and services ■ 4.1

eXercise

Questions in this set

- 0450/13 N25 Q3 ■ 20 marks
- 0450/22 N25 Q3 ■ 20 marks
- 0450/22 M25 Q3 ■ 20 marks
- 0450/11 N24 Q1 ■ 20 marks
- 0450/12 N24 Q2 ■ 20 marks
- 0450/21 N24 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 3

0450/13 N25 ■ Q3 ■ 20 marks

- 3** STB is a public limited company. It uses job production to build houses. In 2024 the business built 13 500 houses. STB has many stakeholder groups including its 5000 employees. The Managing Director knows business activity can affect the environment and that there are many reasons why a business should respond to environmental pressures. She also wants to know how economic growth might affect STB.
- (a)** Identify **two** ways business activity can affect the environment.

Question 3

Question 3

Question 3

Question 3

(b) Identify **two** reasons why a business should respond to environmental pressures.

Question 3

Question 3

Question 3

Question 3

(c) Outline **two** ways economic growth might affect STB.

Question 3

Question 3

(d) Explain **two** benefits to STB of using job production.

Question 3

Question 3

Question 3

Question 3

Question 3

- (e) Do you think employees are the most important stakeholder group for a manufacturing business? Justify your answer.

Solution 3

(a) Mark scheme

- Identify two ways business activity can affect the environment.
- Award 1 mark per way (max 2).
- Points might include:
 - ■
 - Pollution (or examples)
 - ■
- Use up green space / deforestation / loss of habitat

Solution 3

- ■
- Deplete natural resources / overmining
- ■
- (Traffic) congestion
- Other appropriate responses should be credited.
- 2 Only award the first two responses given.

Solution 3

(b) Mark scheme

- Identify two reasons why a business should respond to
- environmental pressures.
- Award 1 mark per reason (max 2).
- Points might include:
 - ■
 - Enhance/protect brand image / reputation
 - ■
 - Attract/maintain sales

Solution 3

- ■
- Reduce risk of customer boycott
- ■
- Differentiate from competitors
- ■
- To avoid pressure group action
- ■
- Help recruit employees
- ■
- Help retain employees

Solution 3

- ■
- Help attract investors
- ■
- Reduce risk of legal action/fines / ensure meets legal
- standards
- Other appropriate responses should be credited.
- 2 Only award the first two responses given.
- 0450/13
- October/November 2025
- Guidance

Solution 3

(c) Mark scheme

- Outline two ways economic growth might affect STB.
- 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 demand/sales [k] for houses [app]
 - ■

Solution 3

- More difficult to recruit/find suitable employees [k] for
- job production [app]
- ■
- High(er) business profits likely [k] for this public limited
- company [app]
- ■
- Can increase output [k] above 13 500 (houses) [app]
- ■
- Increase in/high level of business confidence for STB [k]
- ■

Solution 3

- STB may consider more investment [k]
- ■
- Employees may ask for higher wages [k]
- ■
- Increased rent costs / less choice of 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.
- The following words are likely to be appropriate for this

Solution 3

- question:
- ■
- (Builds) houses / construction industry
- ■
- 13 500 (houses)
- ■
- 5000 employees / builders
- ■
- Public limited company (PLC)
- ■

Solution 3

- Job production
- Other appropriate examples can be credited.
- 0450/13
- October/November 2025
- Guidance

Solution 3

(d) Mark scheme

- Explain two benefits to STB of using job production.
- 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 3

- Motivate employees [k] helping lower absenteeism /
- increase retention [an] among its 5000 employees [app]
- ■
- Could set high(er) price [k] for each house [app] which
- may help increase added value/increase profit margin

an

- ■
- Meet exact customer requirements/needs [k] can help
- brand loyalty / increase competitive advantage [an] for
- this public limited company [app]

Solution 3

- ■
- Unique/one-off product / specialised products / USP [k]
- ■
- High-quality goods/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
- being made.
- The following words are likely to be appropriate for this
- question:

Solution 3

- ■
- Public limited company (PLC)
- ■
- (Builds) houses / construction industry
- ■
- 13 500 (houses)
- ■
- 5000 employees / builders
- ■
- (Economic) growth

Solution 3

- Other appropriate examples can be credited.
- Some analysis can be awarded for different benefits but only award once.
- Some points could be [k] or [an] but only award once.
- 0450/13
- October/November 2025
- Guidance

Solution 3

(e) Mark scheme

- Do you think employees are the most important stakeholder group for a manufacturing 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 about whether employees are the most important stakeholder group for a manufacturing business.

Solution 3

- Points might include:
 - ■
 - Make/produce the products [k] otherwise there is
 - nothing to sell/cannot meet demand [an]
 - ■
 - Responsible for quality [k] which could improve/damage
 - its reputation [an]
 - ■
 - Without sufficient employees the business may not be
 - able to meet demand [k]

Solution 3

- Other stakeholder groups include:
 - ■
 - Shareholders/owners [k] who provide finance / invest
 - money / capital for the business [an]
 - ■
 - Customers [k] as they buy the products [an] generating
 - revenue [an]
 - ■
 - Suppliers [k] who provide materials/inventory [an]
 - ■

Solution 3

- Local community [k] who provide the workers for the
- business [an]
- ■
- Government [k] as it provides the legal framework in
- which the business operates [an]
- ■
- Bank [k] who provide finance/loans [an]
- Other appropriate responses should be credited.
- 6 This is a general question so there are no marks for
- application.

Solution 3

- Candidates can focus solely on employees and still access
- evaluation.
- For evaluation to be awarded justification will usually follow
- on from relevant analysis of points.
- Some points can be relevant to more than one stakeholder
- group [an] but only award once.
- 0450/13
- October/November 2025
- Guidance
- Justification might include:

Solution 3

- Employees are important as they make the products [k]
- otherwise there is nothing to sell [an]. Another stakeholder
- group is customers [k] as they buy the products [an].
- Customers are the most important stakeholder because
- without them, the manufacturing business cannot generate
- revenue, which is necessary to pay the costs including
- wages [eval] whereas the business could use machinery
- instead of some employees. [eval]
- 0450/13
- October/November 2025

Solution 3

- Guidance

Question 3

0450/22 N25 ■ Q3 ■ 20 marks

- 3 (a) Explain **two** reasons why FF uses job production.

Question 3

Question 3

Question 3

Question 3

Question 3

Question 3

[8]

(b) Consider the following **two** sources of finance which could be used for working capital when FF's new shop opens. Which would be the best source for Kathryn to use? Justify your answer.

- Bank overdraft
- Trade credit

Question 3

Question 3

[12]

Solution 3

(a) Mark scheme

- Explain two reasons why FF uses job production.
- Award 1 mark for reason why FF uses job production (max 2).
- Award a maximum of 3 additional marks for each explanation of why FF uses
- job production – one of which must be applied to this context.
- Reasons might include:
 - ■
 - Is suitable for individual/unique products – makes them more competitive
 - – leading to higher revenue/sales

Solution 3

- ■
- Meets the exact needs of customers – so increases customer satisfaction
- – increases reputation and word of mouth advertising
- ■
- The employees have more varied jobs – as may carry out all the tasks to
- produce the product – increasing employee motivation
- ■
- A higher price can be charged – as the product is a 'one-off' for the
- customer – willing to pay a higher price for a product that is exactly what
- they want

Solution 3

- ■
- Production can be of a higher quality – because each product is
- individually made
- For example: The flower shop will produce wedding flower arrangements
- (app) that are specially designed for customers (1) and more closely meets
- the exact needs of these customers (1) so is more likely to increase customer
- recommendations (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

Solution 3

- niche market; 4/8 employees at each shop; bride; average price paid is
- \$2000; supplies purchased each day; supplies are fresh; small business;
- marketing mix for the new shop; social media reviews.
- 8
- 0450/22
- October/November
- 2025

Solution 3

(b) Mark scheme

- Consider the following two sources of finance which could be used for
- working capital when FF's new shop opens. Which would be the best
- source for Kathryn to use? Justify your answer.
- ■
- Bank overdraft
- ■
- Trade credit
- Level

Solution 3

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

Solution 3

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

Solution 3

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

Solution 3

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

Solution 3

- Disadvantages
- Bank overdraft
- ■
- Can be quick to
- arrange – so finance
- available straight
- away
- ■
- May be arranged for
- varying lengths of

Solution 3

- time for repayment –
- longer time to pay it
- back from the sale of
- wedding flowers –
- helping to avoid a
- cash flow problem
- ■
- Amount overdrawn will
- have to be repaid with
- interest – increases

Solution 3

- expenses – may lead
- to higher prices for
- flower arrangements
- charged or reduced
- profits
- ■
- May need to provide
- collateral – may lose
- assets if overdraft
- cannot be repaid

Solution 3

- ■
- May have to pay a
- high interest rate due
- to it being a small
- business and may be
- seen as high risk –
- raises costs further
- ■
- Interest rate may be
- variable so if interest

Solution 3

- rates increase later FF
- will be affected –
- increased risks for FF
- 0450/22
- October/November
- 2025
- Advantages
- Disadvantages
- Trade credit
- ■

Solution 3

- Is effectively an
- interest-free loan –
- unless penalties for
- late payment are
- made
- ■
- May be able to
- receive revenue from
- sales of flowers
- before paying

Solution 3

- supplier as has a
- good relationship
- with her supplier –
- improves cash flow
- ■
- Supplier may refuse to
- supply if payment is
- not made as agreed –
- may damage the
- relationship with

Solution 3

- supplier – unable to
- meet orders spoiling
- FF's good reputation
- ■
- Supplier may refuse to
- offer discounts for the
- flowers at all if
- payment is not made
- as agreed – may
- increase costs – which

Solution 3

- could lead to higher
- prices as FF may use
- cost-plus pricing
- Recommendation Justification might include:
 - ■
- A bank overdraft is the best source of finance to
- use as a sufficient amount of capital may be
- arranged which will pay for all the operating costs
- for the new flower shop. Some suppliers may not
- be willing to provide FF with trade credit leaving

Solution 3

- them short of working capital.
- ■
- Trade credit is the best source of finance to use as
- FF can use it to purchase the flowers and then sell
- them to receive the revenue before payment is
- due. This is an interest free source of finance for
- the day-to-day running of the third shop.
- 0450/22
- October/November
- 2025

Question 3

0450/22 M25 ■ Q3 ■ 20 marks

- 3 (a)** Explain **one** advantage and **one** disadvantage of CR holding inventory.

Question 3

Question 3

Question 3

Question 3

Question 3

Question 3

[8]

(b) Consider the advantages and disadvantages of the following **three** ways CR could use to sell its products. Which way should Charly choose? Justify your answer.

- Selling through CR's own shop
- Selling online
- Selling to a wholesaler

Question 3

Question 3

[12]

Solution 3

(a) Mark scheme

- Explain one advantage and one disadvantage to CR of holding
- inventory.
- Award 1 mark for each reason (max 2).
- Award a maximum of 3 additional marks for each explanation of the reason
- why holding inventory is important – one of which must be applied to this
- context.
- Reasons might include:
- Advantages:

Solution 3

- ■
- Demand can easily be met from the inventory of finished products – this
- means customers are less likely to be disappointed by deliveries being
- late – and recommend the business to their friends
- ■
- To ensure unexpected increases in demand can be met – this will avoid
- losing customers to competitors – keeping customers satisfied /
- maintaining a good reputation
- ■
- Without inventory if CR opens its own shop there will be no products for

Solution 3

- customers to view – and they will not be able to see the excellent quality
- of the products – therefore may be less likely to make a purchase
- ■
- May allow a wider variety of different products to be sold
- ■
- Allows quick replacement of faulty goods
- Disadvantages:
- ■
- Ties up cash – if too many raw materials are held then the cost may have
- been paid by Charly – but no revenue will have been received leading to

Solution 3

- a possible cash-flow problem
- ■
- Too much inventory increases risk of products going out-of-date / being
- stolen / being damaged – the colour or pattern on rugs could go out of
- fashion – leading to lower sales / increased cost of storage
- ■
- May take up too much storage space
- For example: To ensure unexpected increases in demand can be met (1) this
- will avoid losing customers to competitors (1) and will keep customers
- satisfied and keep buying from CR (1) when they want a new rug for their

Solution 3

- home (app).
- Application could include: rugs; sell through wholesalers / sell online / sell through own shops; luxury product; forecast demand is 20 rugs per week;
- store inventories of raw materials / finished products; new factory.
- 8
- 0450/22
- February/March 2025

Solution 3

(b) Mark scheme

- Consider the advantages and disadvantages of the following three ways
- CR could use to sell its products. Which way should Charly choose?
- Justify your answer.
- ■
- Selling through CR's own shop
- ■
- Selling online
- ■

Solution 3

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

Solution 3

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

Solution 3

- choice made.
- Candidates discussing in detail two or more ways
- 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 ways with little/no
- explanation.

Solution 3

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

Solution 3

- February/March 2025
- Relevant points might include:
 - Advantages
 - Disadvantages
 - Selling through
 - CR's own shop
 - ■
 - Sells directly to
 - customers
 - (compared to

Solution 3

- wholesaler) – can
- control how the
- luxury rugs are
- displayed for
- customers
- ■
- CR keeps more of
- the profit margin –
- than it would if sold
- through a wholesaler

Solution 3

- – may be able to
- reduce the price – to
- be more competitive
- ■
- May have more
- knowledgeable sales
- staff who can give
- better advice to
- customers – may be
- more likely to buy a

Solution 3

- CR rug
- ■
- May have high costs
- of operating the
- shop – needs to sell
- many rugs to cover
- these costs or will
- have lower profit /
- make a loss
- ■

Solution 3

- May not attract
- many customers if
- only CR rugs are
- sold – customers
- may be attracted to
- shops where a
- greater variety of
- colours and
- patterns of rugs are
- displayed

Solution 3

- ■
- Needs a higher
- amount of working
- capital as has to
- cover the inventory
- held in the shop
- ■
- May need to borrow
- more than \$20 000
- as this is an

Solution 3

- additional expense
- for setting up the
- factory
- 0450/22
- February/March 2025
- Advantages
- Disadvantages
- Selling online
- ■
- Can sell to a wider

Solution 3

- market – as not
- restricted to a single
- location – may lead
- to higher sales
- ■
- Keeps the profit
- margin of the
- wholesalers – and
- no need to set up
- own shops so lower

Solution 3

- costs
- ■
- The website may be
- used to advertise the
- luxury rugs –
- reducing marketing
- costs
- ■
- Payment made
- immediately

Solution 3

- compared to a
- wholesaler – may
- improve cash flow if
- revenue received
- before the rug is
- made
- ■
- Customers cannot
- see the colours and
- patterns before they

Solution 3

- buy – may be put off
- making the purchase
- leading to lower
- sales
- ■
- Can be very
- expensive to
- post/deliver the rugs
- out to customers –
- high delivery costs

Solution 3

- may be paid by CR
- – possibly reducing
- profit margin
- ■
- Cost of setting up
- and maintaining the
- website
- ■
- Returns of rugs that
- do not meet

Solution 3

- customer
- expectations can be
- expensive to
- process – and may
- be damaged so
- needs repair or be
- scrapped –
- increased costs to
- CR
- ■

Solution 3

- Warehouse space
- required to hold
- inventory before it is
- sent out to
- customers –
- increasing storage
- costs
- 0450/22
- February/March 2025
- Advantages

Solution 3

- Disadvantages
- Selling to a
- wholesaler
- ■
- Wholesaler buys in
- bulk – CR sells a
- large volume of rugs
- in one delivery –
- reducing delivery
- costs

Solution 3

- ■
- Wholesaler will sell
- the rugs to a wider
- number of retailers –
- reaching a much
- larger market than
- the market for just
- one shop
- ■
- Wholesaler may

Solution 3

- provide advice on
- which colours and
- patterns are selling
- well – makes it
- easier for CR to
- produce products
- that meet customers'
- tastes and fashions
- ■
- Wholesaler will

Solution 3

- expect a discount of
- the bulk purchase –
- CR receives a lower
- price for its rugs
- ■
- Price charged to
- customer for rugs
- may be higher than
- if sold through CR's
- own shop – as

Solution 3

- retailers will need to
- add on their profit
- margin as well as
- wholesaler profit
- margin
- ■
- Wholesaler may sell
- rugs from
- competitors making
- it more difficult for

Solution 3

- CR rugs to stand
- out and be
- purchased by
- retailers
- ■
- Much less control
- over the advice
- given and
- presentation of the
- rugs to customers –

Solution 3

- may lead to lower
- sales
- 0450/22
- February/March 2025
- Recommendation Justification might include:
 - ■
- CR should sell through its own shop as advice
- on the quality of the luxury rugs and how they
- should be cared for can be communicated
- effectively to the customers. This should

Solution 3

- improve the reputation of CR's rugs and make it
- more likely that customers become loyal. Selling
- online may be very expensive in terms of
- maintaining the website and sales may be low if
- customers prefer to see the rug before buying. A
- wholesaler may lead to the price of rugs being
- too high and less competitive as they will be sold
- on to retailers and their profit margin will be
- added on to the final price paid by customers.
- ■

Solution 3

- CR should sell its rugs online as this will be
- cheaper than setting up its own shop and even
- though there will be costs to monitor the website
- and process orders it will be a lot cheaper than
- operating its own shop.
- ■
- CR should sell through a wholesaler as it will
- buy in bulk making transport and marketing
- much easier and cheaper. The wholesaler will
- then sell on to many retailers across country P

Solution 3

- leading to CR's rugs being sold to a much wider
- market.
- 0450/22
- February/March 2025

Question 1

0450/11 N24 ■ Q1 ■ 20 marks

- 1 RSL manufactures paint using flow production. Last year it produced 10 million litres of paint. RSL has 6 managers and 80 employees working in its factory. The managers use different leadership styles. RSL uses email and telephone calls as its methods of internal communication. The Operations Manager wants to understand why some manufacturing businesses are relocating their operations to other countries.
 - (a) Identify **two** benefits to a business of using flow production.

Question 1

Question 1

Question 1

Question 1

(b) Identify **two** reasons why people work.

Question 1

Question 1

Question 1

Question 1

- (c) Outline **one** advantage of RSL using each of the following methods of internal communication.

Question 1

Question 1

(d) Explain **two** leadership styles RSL's managers might use.

Question 1

Question 1

Question 1

Question 1

Question 1

- (e) Explain **two** factors a manufacturing business should consider when relocating its operations to another country. Which factor is likely to be the most important? Justify your answer.

Solution 1

(a) Mark scheme

- Identify two benefits to a business of using flow
- production.
- Award 1 mark per benefit (max 2).
- Points might include:
 - ■
 - High output / large number of products made
 - ■
 - (Purchasing) economies of scale / discounts for bulk

Solution 1

- buying / low average/unit costs
- ■
- Lower labour cost / less workers needed
- ■
- Increased efficiency/productivity / goods are produced
- quickly
- ■
- No need to move goods from one part of the factory to
- another
- ■

Solution 1

- Consistent/standardised quality.
- Other appropriate responses should be credited.
- 2 Only award the first two responses given.
- Do not award:
 - Vague comments such as saves time, cheaper, quicker,
 - faster on their own.

Solution 1

(b) Mark scheme

- Identify two reasons why people work.
- Award 1 mark per reason (max 2).
- Points might include:
 - ■
 - (Earn) money/wage/salary/improve standard of living
 - ■
 - Job satisfaction / feel as if you have done a good job
 - ■

Solution 1

- Safety/security for example job security
- ■
- Social or examples such as feel part of a
- group/company
- ■
- Esteem/recognition/status/feel important/valued
- ■
- Opportunity to reach potential / challenge self to do new
- things
- ■

Solution 1

- Help people/provide a service to community/others.
- Other appropriate responses should be credited.
- 2 Only award the first two responses given.
- Do not award:
- Vague answers such as relieve boredom, something to do,
- like what they do.
- 0450/11
- October/November 2024
- Notes

Solution 1

(c) Mark scheme

- Outline one advantage of RSL using each of the
- following methods of internal communication.
- Award 1 mark for identification of each relevant advantage
- (max 2).
- Award 1 mark for each relevant reference made to this
- business (max 2).
- Points might include:
- Email:

Solution 1

- ■
- A lot of information/detail/documents can be shared [k]
- with the 80 employees [app]
- ■
- Can send information/message to multiple people at the
- same time [k] about the paint [app]
- ■
- Keep a copy (to refer to) [k]
- ■
- Can communicate with people in a different location [k]

Solution 1

- ■
- Low cost/cheap [k]
- ■
- Can check if the message has been read [k]
- Telephone calls:
- ■
- Quick [k] if there is a problem using flow production

app

- ■
- Opportunity for (instant) questions/discussion/decisions

Solution 1

k with one of the 6 managers [app]

-

- Feedback (straightaway) [k]

- Other appropriate responses should also 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 1

- Paint
- ■
- 10 million litres
- ■
- Flow production
- ■
- Relocate (to another country)
- ■
- 80/86 employees
- ■

Solution 1

- 6 managers
 - ■
- Factory
 - ■
- Manufacturer
 - ■
- Different leadership styles.
- Other appropriate examples can be credited.
- Award only once in the answer:
- Low cost/cheap [k]

Solution 1

- Fast/quick [k]
- 0450/11
- October/November 2024
- Notes

Solution 1

(d) Mark scheme

- Explain two leadership styles RSL's managers might
- use.
- Award 1 mark for each relevant leadership style (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

- Autocratic [k] when the manager instructs/ tells workers
- what to do [an] when using flow production [app]
- ■
- Democratic [k] when one of its 6 managers [app] asks
- employees for their ideas/opinions before making a
- decision [an]
- ■
- Laissez-faire [k] when the managers leave it up to the
- employees to make decisions/decide what to do [an]
- when making paint [app]

Solution 1

- 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:
- ■
- Paint
- ■
- 10 million litres

Solution 1

- ■
- Flow production
- ■
- Relocate (to another country)
- ■
- 80/86 employees
- ■
- 6 managers
- ■
- Email

Solution 1

- ■
- Telephone calls
- ■
- Factory
- ■
- Manufacturer
- Other appropriate examples can be credited.
- 0450/11
- October/November 2024
- Notes

Solution 1

(e) Mark scheme

- Explain two factors a manufacturing business should
- consider when relocating its operations to another
- country. Which factor 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
- factor is likely to be the most important for a manufacturing

Solution 1

- business when relocating its operations to another country.
- Points might include:
 - ■
 - Access to raw materials [k] as without materials it can
 - delay/stop production [an] so not able to meet orders

an

- ■
- Labour issues e.g. cost/access to
- suitable/skilled/enough employees [k] as lower wage
- rates could help lower labour costs [an] increasing its

Solution 1

- profit margin [an]
- ■
- Land issues e.g. availability/cost of suitable land [k]
- which could increase/lower fixed costs [an]
- ■
- Trade restrictions such as tariffs/quotas [k] as quotas
- could limit the amount of goods allowed into a country

an

- ■
- Availability of government grants / rates of taxation [k]

Solution 1

- which could reduce the amount of finance needed [an]
- ■
- Legal controls [k] as this could stop/determine where
- the business can operate [an]
- ■
- Infrastructure (accept only once) e.g. access to utilities,
- communications [k] as without suitable power it would
- be difficult to operate (efficiently) [an]
- ■
- Available market/demand for the product/level of

Solution 1

- competition [k] which may reduce transport costs [an]
- ■
- Language/cultural problems [k]
- 6 This is a general question so there are no marks for
- application.
- Some analysis could be used for different points, but only
- award once.
- Accept costs [k] once if there is no specific reason for the
- costs given.
- 0450/11

Solution 1

- October/November 2024
- Notes
- Other appropriate responses should be credited.
- Justification might include:
 - Access to raw materials [k] without materials there may be
 - delays in production [an]. Another factor is employees [k] as
 - a lack of skills could lead to lower quality products [an].
 - Access to raw materials is the most important because
 - without materials there is nothing to sell, lowering potential
 - revenue [eval]. However, a business could train employees

Solution 1

- to produce quality products [eval].
- Notes

Question 2

0450/12 N24 ■ Q2 ■ 20 marks

- 2** SNT is an ethical business. It manufactures a range of soft drinks using batch production. In 2023 SNT produced 300 000 bottles of soft drinks each week. There are many factors which affect how much inventory the business should hold. SNT's directors are planning to expand the business into new markets in other countries by forming a joint venture. They are considering licensing as another way to help overcome the potential problems of entering these new markets.

(a) Define 'licensing'.

Question 2

(b) Identify **two** factors which might affect how much inventory a business should hold.

Question 2

Question 2

Question 2

Question 2

(c) Outline **two** benefits to SNT of using batch production.

Question 2

Question 2

- (d) Explain **one** advantage and **one** disadvantage to SNT of forming a joint venture when entering new markets in other countries.

Question 2

Question 2

Question 2

Question 2

Question 2

- (e) Do you think the advantages to a business of being ethical are greater than the disadvantages? Justify your answer.

Solution 2

(a) Mark scheme

- Define 'licensing'.
- Award 2 marks for a full definition. Award 1 mark for a partial definition.
- Business gives permission for another company (in the new market being entered) to produce the branded/patented products (under licence) [2]
- OR
- A business in one country permits a firm (in a foreign country)

Solution 2

- to produce its branded products (under licence) [2]
- OR
- When a business gives the right to others to produce/sell its
- products (in another country) [2]
- Partial definition e.g. allow someone else to make/sell your
- products [1]
- 2 For two marks need the idea of permission/rights given by
- one business to another business and idea of what i.e.
- produce/sell/operate for its products.
- Do not need to refer to other countries/new markets to gain

Solution 2

- two marks.
- 0450/12
- October/November 2024
- Notes

Solution 2

(b) Mark scheme

- Identify two factors which might affect how much
- inventory a business should hold.
- Award 1 mark per factor (max 2).
- Points might include:
 - ■
 - Demand for product/amount of sales
 - ■
 - Perishability/nature/type of product/durability

Solution 2

- ■
- (Storage) space available
- ■
- Cost of storage/warehouse
- ■
- Delivery charges
- ■
- Seasons/celebrations/festivals
- ■
- Amount of money available (to buy inventory) / cost of

Solution 2

- inventory / finance
- ■
- Lead time/reliability of supplier
- ■
- Method of production / rate/quantity of output
- ■
- Stock control system / JIT
- ■
- Forecast/expected shortages
- Other appropriate responses should be credited.

Solution 2

- 2 Only award the first two responses given.
- 0450/12
- October/November 2024
- Notes

Solution 2

(c) Mark scheme

- Outline two benefits to SNT of using batch production.
- Award 1 mark for each relevant benefit (max 2).
- Award 1 mark for each relevant reference to this business
- (max 2).
- Points might include:
 - ■
 - Flexible [k] helping the business adapt to the new
 - markets in other countries [app]

Solution 2

- ■
- Production may not be affected to any great extent if
- machinery breaks down [k] so can continue to make
- some soft drinks [app]
- ■
- Range/variety of products [k] when making 300 000
- (bottles per week) [app]
- ■
- Can motivate workers [k]
- Other appropriate responses should be credited.

Solution 2

- 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:
- ■
- Soft drinks
- ■
- 300 000 (bottles per week)
- ■

Solution 2

- New markets (in other countries)/planning to expand
- ■
- (How much) inventory is important
- ■
- Ethical (business)
- Other appropriate examples can be credited.
- Comparative statements such as 'More/ less' can only be
- accepted when referring to an alternative method e.g.
- quicker than job production.
- 0450/12

Solution 2

- October/November 2024
- Notes

Solution 2

(d) Mark scheme

- Explain one advantage and one disadvantage to SNT of
- forming a joint venture when entering new markets in
- other countries.
- 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 2

- Points might include:
- Advantages:
- ■
- Increase capital / share costs / share resources [k] when
- making its soft drinks [app] which can help the business
- reduce borrowing [an]
- ■
- Access to shared knowledge/expertise [k] increasing
- productivity/efficiency [an] above 300 000 (bottles per
- week) [app]

Solution 2

- ■

- Less need for market research [k] lowers (marketing)

- costs [an]

- ■

- Avoid/reduce competition [k] increasing market share

an

- ■

- Share/lower (financial) risk [k] which reduces possible

- losses [an]

- ■

Solution 2

- May be a legal requirement (in some countries) [k]
- Disadvantages:
 - ■
 - Possible (management) conflict/disagreements/different
 - ways of working [k] as other business may be less
 - concerned about being ethical [app] which can slow
 - down decision-making [an]
 - ■
 - Mistakes will reflect on all parties [k] which can damage
 - its reputation [an] reducing its ability to offer licensing

Solution 2

app

- 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:
 - ■
 - Soft drinks
 - ■
 - 300 000 (bottles per week)

Solution 2

- ■
- Ethical business
- ■
- Licensing
- ■
- Batch production
- Other appropriate examples can be credited.
- Some points can be awarded as [k] or [an] but do not award
- the same point twice e.g. share risk.
- 0450/12

Solution 2

- October/November 2024
- Notes
- ■
- Must share profit [k] which may reduce motivation of
- each party [an]
- ■
- It will take time/effort to find the right partner [k] which
- may delay the expansion [an]
- Other appropriate responses should be credited.
- 0450/12

Solution 2

- October/November 2024
- Notes

Solution 2

(e) Mark scheme

- Do you think the advantages to a business of being
- ethical are greater than the disadvantages? 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
- advantages to a business of being ethical are greater than
- the disadvantages.

Solution 2

- Points might include:
- Advantages:
- ■
- Good image/reputation [k] so can charge high(er) prices

an

- ■
- Good relations with customers [k] which can develop
- customer loyalty [an]
- ■
- Increase demand/sales/customers / enter new market

Solution 2

k increasing revenue [an]

- ■

- Help motivate workers [k] leading to lower absenteeism /

- lower labour turnover / increased productivity [an]

- ■

- Help recruit/attract employees [k]

- ■

- Investors more likely to invest [k] which may make it

- easier to expand/grow the business [an]

- ■

Solution 2

- Can help create better supplier relations [k]
- Disadvantages:
 - ■
 - Limited/fewer materials available [k] leading to less
 - output [an]
 - ■
 - High(er) costs [k] could lead to higher prices [an]
 - ■
 - May take time to source suitable/ethical supplies [k] which
 - could delay production [an]

Solution 2

- ■
- May have to pay more to suppliers / for materials [k]
- leading to higher variable costs/cost of goods sold /
- lower gross profit margin [an]
- 6 This is a general question so there are no marks for
- application.
- Some points could be awarded as either [k] or [an] but do not
- award the same point twice e.g. customer loyalty, increase
- prices.
- To access [eval], must discuss a valid advantage and a valid

Solution 2

- disadvantage.
- Accept problems of not being ethical e.g. damage reputation
- 0450/12
- October/November 2024
- Notes
- Other appropriate responses should be credited.
- Justification might include:
 - One disadvantage is the business may have higher cost of
 - materials [k] leading to a lower gross profit margin [an]. The
 - business may have a better reputation [k] so able to charge

Solution 2

- higher prices [an].
- Being ethical is better because higher prices could increase
- its profit margin [eval] which could cover the additional costs
- of materials [eval].
- 0450/12
- October/November 2024
- Notes

Question 3

0450/21 N24 ■ Q3 ■ 20 marks

- 3 (a) Explain **two** benefits and **two** limitations of CC using batch production.

Question 3

Question 3

Question 3

Question 3

- (b) Consider the **two** options for CC's new cookies outlined in Appendix 3. Which option should CC choose to produce? Justify your answer using appropriate calculations.

Question 3

Solution 3

(a) Mark scheme

- Explain two benefits and two limitations of CC using batch production.
- Award 1 mark for each relevant benefit/limitation (max 4).
- Award 1 additional mark for each explanation of the benefit/limitation applied to this context.
- Relevant benefits might include:
 - ■
 - Flexible way of working – can easily change to produce cookies for
 - different special occasions

Solution 3

- ■
- More variety in tasks than if flow production is used – better motivation for
- the 10 production employees
- ■
- More variety of products produced - to have personal messages written on
- them
- ■
- Production may not be affected too much if baking equipment breaks
- down
- ■

Solution 3

- Larger quantity produced than job production – can keep restocking the
- shop with full variety of cookies
- ■
- Raw materials can be purchased in larger quantities than job production
- so gain discounts / economies of scale / lower unit cost of fresh
- ingredients
- Relevant limitations might include:
- ■
- Can be expensive / awkward to move part-finished goods around the
- factory – the business is only small

Solution 3

- ■
- Machines have to be reset between batches – takes time / delays
- production for the new Operations Manager
- ■
- One mistake in production may mean the whole batch is affected / needs
- to be thrown away – wasted ingredients
- ■
- Warehouse space needed - for finished batches stored before being sold
- in CC's shop
- ■

Solution 3

- Size of batch may be too small – not enough cookies to meet
- demand / may be too large / left over cookies if not popular
- ■
- May be more repetitive than job production – 10 production workers may
- become bored
- For example: Flexible way of working (1) and can easily change the
- production process to produce different types of cookies (app).
- Application could include: cookies; sells at own shop; messages put on cookies;
- 10 production employees; 5 shop employees; Operations manager; fresh
- ingredients; special occasions; small business; sole trader; established for 5

Solution 3

- years; competitors' products sold in retail shops in other cities, personalised
- messages.
- 8
- 0450/21
- October/November
- 2024

Solution 3

(b) Mark scheme

- Consider the two options for CC's new cookies outlined in Appendix 3.
- Which option should CC choose to produce? Justify your answer using
- appropriate calculations.
- Level
- Description
- 3
- Sound application of knowledge and
- understanding of relevant business concepts using

Solution 3

- appropriate terminology.
- Detailed discussion of both products.
- Well-justified recommendation.
- Candidates discussing both products in detail, in
- context and with a well-justified recommendation,
- including why the alternative product was rejected,
- should be rewarded with the top marks in the
- band.
- 9–12
- 2

Solution 3

- Sound application of knowledge and
- understanding of relevant business concepts using
- appropriate terminology.
- Detailed discussion of at least one product.
- Judgement with some justification / some
- evaluation of choice made.
- Candidates discussing both products in detail and
- applying them to the case should be rewarded
- with the top marks in the band.
- 5–8

Solution 3

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

Solution 3

- 1–4
- 0
- No creditable response.
- 0
- 12
- 0450/21
- October/November
- 2024
- Relevant points might include:
- Option 1

Solution 3

- ■
- Sales are higher by 6500 per month – 8000
- compared to 1500
- ■
- Total cost is \$7000 per month
- ■
- Total revenue is \$8000 per month
- ■
- Profit per month is 1000,500 less than
- Option 2

Solution 3

- ■
- Forecast growth is high so revenue in the
- future should increase
- ■
- Gross profit margin 50%
- ■
- Profit margin 12.5%
- ■
- Break-even output 6000 cookies a month,
- 2000 less than predicted sales

Solution 3

- Option 2
- ■
- Total revenue \$7500
- ■
- Total cost is \$6000 per month with same
- fixed cost of 3000 *and variable cost of 2*
- per cookie
- ■
- Profit per month is \$1500
- ■

Solution 3

- Forecast low growth so revenue in the
- future may not increase
- ■
- Gross profit margin 60%
- ■
- Profit margin 20%
- ■
- Break-even output 1000 cookies a month, 500
- less than the predicted sales
- Recommendation

Solution 3

- Justification might include:
 - ■
 - Option 1 is the better one to choose as the
 - revenue is higher by \$500 than Option 2.
 - Even though its profit is \$500 per month
 - lower than Option 2 it has high future growth
 - opportunities and could earn higher revenue
 - and higher profit in the future.
 - ■
 - Option 2 is better than Option 1 as it has a

Solution 3

- higher profit by \$500 per month. The gross
- profit margin and profit margin are both higher
- giving more profit from the sale of each
- Option 2 cookie.
- 0450/21
- October/November
- 2024