Past-paper walk-through

Statement of financial position ▪ 5.4

eXercise

Questions in this set

- 0450/11 N25 Q2 ▪ 20 marks
- 0450/11 N24 Q3 ▪ 20 marks
- 0450/12 N24 Q3 ▪ 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

0450/11 N25 ▪ Q2 ▪ 20 marks

2 CPW is a private sector business which has many objectives. It sells electrical goods including kettles and ovens in its 36 shops in country X. CPW also offers a delivery service. The business buys all its inventory from local suppliers to avoid import tariffs. The Finance Director is analysing CPW's statement of financial position. An extract is shown in Table 2.1. He has been asked to find a source of finance to purchase 10 new delivery vehicles.

Table 2.1

Extract from CPW's statement of financial position for 2024 ($ million)	
Non-current assets	120
Current assets	70
Current liabilities	110
Non-current liabilities	75

Question 2

(a) Define ‘import tariff’.

Question 2

(b) Identify **one** non-current asset and **one** current liability.

Question 2

Question 2

Question 2

Question 2

(c) Outline **two** ways the information in Table 2.1 might be useful to CPW.

Question 2

Question 2

(d) Explain **two** factors CPW should consider when deciding on a source of finance for the new vehicles.

Question 2

Question 2

(e) Explain **two** objectives a private sector business might have. Which objective is likely to be the most important? Justify your answer.

Question 2

Solution 2

(a) Mark scheme

- Define ‘import tariff’.
- Award 2 marks for a full definition. Award 1 mark for a partial
- definition.
- ▪
- A tax (placed) on imported goods [2]
- ▪
- A tax applied to the value of imported goods [2]
- ▪

Solution 2

- A specific form of tax imposed/charged on imported
- goods [2]
- Partial definition:
- ▪
- A type of tax [1]
- 2 First mark is for understanding this is a tax.

Solution 2

(b) Mark scheme

- Identify one non-current asset and one current liability.
- Award 1 mark per non-current asset/current liability (max 2).
- Points might include:
- Non-current assets:
- ▪
- Machinery
- ▪
- Equipment

Solution 2

- ▪
- Land
- ▪
- Buildings/shops/factories/offices
- ▪
- Motor vehicles/delivery vehicles
- Current liabilities:
- ▪
- Overdraft
- ▪

Solution 2

- Short-term loan
- ▪
- Trade payables (creditors)
- Other appropriate responses should be credited.
- 2 Only award the first responses given for each.
- 0450/11
- October/November 2025
- Guidance

Solution 2

(c) Mark scheme

- Outline two ways the information in Table 2.1 might be
- useful to CPW.
- Award 1 mark for each relevant way (max 2).
- Award 1 mark for each relevant reference to this business
- (max 2).
- Points might include:
- ▪
- Show value of liabilities/what the business owes [k] as

Solution 2

- has current liabilities of \$110 million [app]
- ▪
- Show value of assets/what the business owns [k] which
- is \$190 million [app]
- ▪
- Support loan application/help raise finance [k] for the 10
- vehicles [app]
- ▪
- Calculate working capital/current assets minus current
- liabilities [k] of this private sector business [app]

Solution 2

- ▪
- Show how the business finances its activities [k] when
- selling kettles/ovens [app]
- ▪
- Calculate current ratio/ratio of current assets to current
- liabilities [k] 0.63:1/0.64:1 [app]
- ▪
- Compare performance with other businesses [k]
- ▪
- Compare performance over time/against other years [k]

Solution 2

- ▪
- Show value of the business/capital employed [k]
- $80 million [app]
- ▪
- Equity/owners capital [k] of $5 million [app]
- Other appropriate responses should be credited.
- 4 To use words from the stem as application, the reference
- must be appropriate (i.e. make sense) in relation to the point
- being made.
- The following words are likely to be appropriate for this

Solution 2

- question:
- ▪
- Private sector business
- ▪
- Electrical goods or examples such as kettles/ovens
- ▪
- (36) shops
- ▪
- (Inventory from) local suppliers
- ▪

Solution 2

- Import tariffs
- ▪
- Delivery (service)
- ▪
- (10) vehicles
- ▪
- Source of finance
- ▪
- Local suppliers
- ▪

Solution 2

- \$75 million (non-current liabilities)
- ▪
- \$120 million (non-current assets)
- ▪
- \$110 million (current liabilities)
- ▪
- \$70 million (current assets)
- ▪
- 0.63:1/0.64:1 (current ratio)
- ▪

Solution 2

- $190 million (value of assets)
- ▪
- Negative $40 million (working capital)
- ▪
- $80 million (capital employed)
- ▪
- $5 million (equity)
- Other appropriate examples can be credited.
- Can award 'assess liquidity' where no individual liquidity
- ratios identified.

Solution 2

- 0450/11
- October/November 2025
- Guidance

Solution 2

(d) Mark scheme

- Explain two factors CPW should consider when
- deciding on a source of finance for the new vehicles.
- Award 1 mark for identification of each relevant factor (max
- 2).
- Award 1 mark for each relevant reference to this business
- (max 2).
- Award 1 mark for each relevant explanation (max 2).
- Points might include:

Solution 2

- ▪
- Amount required [k] for the 10 (vehicles) [app] because
- this is a large amount a bank loan/selling non-current
- assets maybe required [an]
- ▪
- Current level of borrowing/loans [k] as the bank might
- not be willing to lend extra finance [an] when have non-
- current liabilities of $75 million [app]
- ▪
- Time period [k] as the vehicles may be needed for the

Solution 2

- long-term, the source needs to be long-term [an] to
- make deliveries [app]
- ▪
- Cost of finance/is it affordable [k] as high interest rates
- could increase cash outflows/expenses [an] adding to
- its current liabilities of $110 million [an]
- ▪
- Size/legal form of the business [k] of this private sector
- business [app]
- ▪

Solution 2

- Security/collateral needed [k]
- ▪
- Level of control [k]
- ▪
- How urgently the funds are required [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

Solution 2

- question:
- ▪
- Private sector (business)
- ▪
- Electrical goods (business)
- ▪
- (36) shops
- ▪
- 10 (vehicles)
- ▪

Solution 2

- (Inventory from) local suppliers
- ▪
- Import tariffs
- ▪
- Delivery (service)
- ▪
- $75 million (non-current liabilities)
- ▪
- $120 million (non-current assets)
- ▪

Solution 2

- $110 million (current liabilities)
-
  -
- $70 million (current assets)
- Other appropriate examples can be credited.
- 0450/11
- October/November 2025
- Guidance

Solution 2

(e) Mark scheme

- Explain two objectives a private sector business might
- have. Which objective 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 justified decision as to which
- objective is likely to be the most important.
- Points might include:

Solution 2

- ▪
- Survival/stay in business [k] to breakeven/ensure costs
- are covered [an]
- ▪
- Make a profit [k] when revenue exceeds total costs [an]
- ▪
- Growth/expansion [k] as this can help spread risk [an]
- ▪
- Increase sales [k] as this can lead to higher revenue

an which is necessary to cover costs [an]

Solution 2

- ▪
- Increase market share [k] which could provide an
- opportunity to control prices/dominate the market [an]
- ▪
- Socially/ethically/environmentally responsible / provide
- a service (to the community) [k]
- ▪
- Increase returns to shareholders/owners [k] to
- encourage investment [an]
- ▪

Solution 2

- Increase brand image / reputation / increase brand
- awareness [k]
- ▪
- Increase customer loyalty [k]
- ▪
- Customer satisfaction [k]
- Justification might include:
- One objective is survival [k] to ensure costs are covered

an . Another objective is making a profit [k] to provide a

- source of finance [an]. Survival is likely to be the most

Solution 2

- important objective for private sector business as they may
- operate in a competitive market [eval.] Without survival,
- there is no opportunity to make profit in the long term [eval].
- 6 This is a general question so there are no marks for
- application.
- Analysis could focus on explaining what the objective is or
- advantages of that objective.
- Some points can be awarded as [k] or [an] e.g. break-even
- but only award once.
- 0450/11

Solution 2

- October/November 2025
- Guidance

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 3

0450/12 N24 ▪ Q3 ▪ 20 marks

3 HRO manufactures children's toys. It is a private limited company. The main objective of HRO's shareholders is to increase profit. This might conflict with the objectives of other stakeholder groups, including its 30 suppliers. HRO's Managing Director knows that market research can help when making marketing decisions. The Finance Director is preparing HRO's statement of financial position. An extract is shown in Table 3.1.

Table 3.1

Extract from HRO's statement of financial position at 30 June 2024 ($000s)	
Non-current assets	480
Current assets	250
Current liabilities	200
Non-current liabilities	300

(a) Define 'non-current assets'.

Question 3

Question 3

(b) Calculate HRO's current ratio. Show your working.

Question 3

Question 3

(c) State whether each of the following would be classified as a current asset or as a current liability.

Question 3

Question 3

Question 3

Question 3

Question 3

Question 3

Question 3

Question 3

(d) Explain **one** way the objective of HRO's shareholders to increase profit might conflict with the objectives of each of the following stakeholder groups:

Question 3

Question 3

Question 3

(e) Do you think the advantages to a business of using primary market research are greater than the disadvantages? Justify your answer.

Solution 3

(a) Mark scheme

- Define ‘non-current assets’.
- Award 2 marks for a full definition. Award 1 mark for a partial
- definition.
- Resources owned by a business which will be used for a
- period longer than one year [2]
- OR
- Items owned by a business for more than one year [2]
- Partial definition e.g. items owned/bought/possessed by the

Solution 3

- business [1]
- OR Items in the business for more than one year [1]
- 2 For both marks must have idea of 'owned by a business' and
- held for 'more than 1 year'.

Solution 3

(b) Mark scheme

- Calculate HRO's current ratio. Show your working.
- Award 2 marks for a correct answer.
- Award 1 mark for correct method but incorrect answer.
- Correct answer
- 1.25:1 [2] OR 1.25 [2]
- Correct method but incorrect answer e.g.
- Current assets ÷ current liabilities [1]
- OR 250/200 [1]

Solution 3

- If correct answer given with no working shown, award 2
- marks.
- 2 Award only 1 mark if 1.25 is written as part of the answer but
- is not given as the final answer.
- If answer incorrect, check for the correct working.
- 0450/12
- October/November 2024
- Notes

Solution 3

(c) Mark scheme

- State whether each of the following would be classified
- as a current asset or as a current liability.
- Award 1 mark per correct answer (max 2).
- ▪
- Trade receivables: Current asset
- ▪
- Trade payables: Current liability
- ▪

Solution 3

- Overdraft: Current liability
- ▪
- Inventory: Current asset
- 4 Only award the first response given for each answer.
- 0450/12
- October/November 2024
- Notes

Solution 3

(d) Mark scheme

- Explain one way the objective of HRO's shareholders to
- increase profit might conflict with the objectives of each
- of the following stakeholder groups:
- 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

- Customers:
- ▪
- Value for money/lower prices [k] but HRO might want to
- increase prices [an] of its toys [app]
- ▪
- HRO might want to increase the prices [k] of its toys

app whereas customers want value for money/lower

- prices/refuse to buy / go to competitor [an]
- ▪
- Customers want good/better quality of products [k]

Solution 3

- which may increase (material) costs [an] of this private
- limited company [app]
- ▪
- Wider range of products [k] but this could increase
- HRO's costs [an]
- ▪
- Reliable products/services [k]
- Suppliers:
- ▪
- Might want to increase prices [k] whereas HRO might

Solution 3

- want to lower prices [an], so HRO has more funds for
- market research [app]
- ▪
- HRO wants to pay lower prices [k] which lowers
- revenue/profit for suppliers [an]
- ▪
- Increased/regular number of orders [k] but HRO might
- want to place fewer orders [an] to reduce its $200 000
- current liabilities [app]
- ▪

Solution 3

- To be treated fairly [k]
- 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:
- ▪
- (Children's) toys
- ▪

Solution 3

- Private limited company
- ▪
- Market research
- ▪
- 30 (suppliers)
- ▪
- $200 000 (current liabilities)
- Other appropriate examples can be credited.
- Knowledge can be awarded for identifying an objective of
- either the business (other than profit) or stakeholder.

Solution 3

- Analysis mark for explaining how this might conflict with the
- other party.
- 0450/12
- October/November 2024
- Notes

Solution 3

(e) Mark scheme

- Do you think the advantages to a business of using
- primary market research 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 using primary market research
- are greater than the disadvantages.

Solution 3

- Points might include:
- Advantages:
- ▪
- Up to date/new (data) [k] which can help make
- better/informed decisions/able to satisfy customer
- demand [an] increasing sales [an]
- ▪
- Business specific/relevant data can be gathered [k] so
- should help the business find out only what it needs to
- know [an]

Solution 3

- ▪
- Only available to own business / not available to the
- competition [k]
- Disadvantages:
- ▪
- Expensive [k] as need to recruit experts to assist [an]
- which increase cash outflows/increase costs [an]
- ▪
- Time to collect [k] which could mean opportunities are
- missed [an]

Solution 3

- Other appropriate points should also be credited.
- Justification might include:
- It allows for business specific data to be gathered [k] helping
- the business find out exactly what it wants to know [an].
- However, it does take time to collect [k] which may mean
- opportunities are missed [an].
- 6 This is a general question so there are no marks for
- application.
- To access [eval], must discuss a valid advantage and a valid
- disadvantage.

Solution 3

- For analysis:
- Can explain the effect of the advantage/disadvantage
- Reason why the advantage/disadvantage arises
- 0450/12
- October/November 2024
- Notes
- The advantages are greater because the time spent now to
- gather specific information is likely to help the business make
- better decisions [eval] which could save the business from
- wasting resources in the future [eval].

Solution 3

- 0450/12
- October/November 2024
- Notes

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