Past-paper walk-through

Economic issues ▪ 6.1

eXercise

Questions in this set

- 0450/13 N25 Q3 ▪ 20 marks
- 0450/11 J25 Q2 ▪ 20 marks
- 0450/21 J25 Q4 ▪ 20 marks
- 0450/22 J25 Q4 ▪ 20 marks
- 0450/23 J25 Q4 ▪ 20 marks

Reading the mark scheme

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

Question 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 2

0450/11 J25 ▪ Q2 ▪ 20 marks

2 NSL is a business based in country X. It manufactures food products including bread and breakfast cereals. NSL uses lean production in its factory. Maintaining quality is important. NSL imports 15% of its raw materials. Changes in country X's exchange rate can affect businesses which import raw materials. NSL's Marketing Manager knows the business should respond to changes in consumer spending patterns. She is aware that market research can be used to help make business decisions.

(a) Identify **one** way each of the following changes in country X's exchange rate might affect businesses which import raw materials.

Question 2

Question 2

Question 2

Question 2

(b) Identify **two** reasons why consumer spending patterns might change.

Question 2

Question 2

Question 2

Question 2

(c) Outline **two** reasons why maintaining quality is important for NSL.

Question 2

Question 2

(d) Explain **two** benefits to NSL of using lean production.

Question 2

Question 2

Question 2

Question 2

Question 2

(e) Explain **two** methods of market research a business could use to help make business decisions. Which is likely to be the best method for a manufacturing business to use? Justify your answer.

Solution 2

(a) Mark scheme

- Identify one way each of the following changes in
- country X's exchange rate might affect businesses
- which import materials.
- Award 1 mark for each way (max 2).
- Points might include:
- ▪
- Depreciation: Imports dearer/more expensive
- ▪

Solution 2

- Appreciation: Imports cheaper
- 2 Only award the first two responses given.
- Do not award answers about the effect on exports.

Solution 2

(b) Mark scheme

- Identify two reasons why consumer spending patterns
- might change.
- Award 1 mark for each reason (max 2).
- Points might include changes in:
- ▪
- Price of product
- ▪
- Price of competitors products/increased competition

Solution 2

- ▪
- Incomes/wages/unemployment/business cycle or
- examples
- ▪
- Population size/structure/life stage of consumers
- ▪
- Taste/fashion/preferences
- ▪
- Advertising/promotion
- ▪

Solution 2

- Technology
- ▪
- Taxation
- ▪
- Interest rates
- ▪
- Exchange rates
- ▪
- Weather/season
- Other appropriate responses should be credited.

Solution 2

- 2 Only award the first two responses given.
- 0450/11
- May/June 2025
- Guidance

Solution 2

(c) Mark scheme

- Outline two reasons why maintaining quality is
- important for NSL.
- Award 1 mark for each relevant reason (max 2).
- Award 1 mark for each relevant reference to this business
- (max 2).
- Points might include:
- ▪
- Develop strong brand image / generate good publicity /

Solution 2

- better reputation [k] for its food [app]
- ▪
- Keep customer loyalty/remain competitive [k] which may
- help as spending patterns change [app]
- ▪
- Can charge high/premium prices [k] which may help
- cover any effect of exchange rates [app]
- ▪
- Lower costs/less wastage [k] at the factory [app]
- ▪

Solution 2

- Fewer customer complaints/returns [k]
- ▪
- Attract new customers/increase sales [k]
- ▪
- To meet legal requirements [k] such as food standards

app

- ▪
- It adds value [k]
- Other appropriate responses should be credited.
- 4 To use words from the stem as application, the reference

Solution 2

- must be appropriate (i.e. make sense) in relation to the point
- being made.
- The following words are likely to be appropriate for this
- question:
- ▪
- Food or related words such as ingredients, breakfast
- cereal, bread
- ▪
- Manufacture
- ▪

Solution 2

- (Consumer) spending patterns change
- Factory
- Exchange rates
- (15% of raw) materials are imported
- Lean production
- Other appropriate examples can be credited.

Solution 2

- 0450/11
- May/June 2025
- Guidance

Solution 2

(d) Mark scheme

- Explain two benefits to NSL of using lean 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 2

- Fewer mistakes/errors [k] so less rework / lower repair
- costs / may improve reputation [an] as maintaining
- quality is important [app]
- ▪
- Less inventory held [k] of imported materials [app]
- lowering storage costs/amount of working capital [an]
- ▪
- Cut out some processes [k] when making the food [app]
- which speeds up production / increase productivity [an]
- ▪

Solution 2

- Increase motivation [k] leading to lower absenteeism /
- reduce labour turnover [an] at the factory [app]
- ▪
- Less waste of time/ materials OR improved efficiency

k quicker/increased output [an]

- ▪
- Lower (unit) costs [k] improving competitiveness [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

Solution 2

- being made.
- The following words are likely to be appropriate for this
- question:
- ▪
- Food or related words such as ingredients, breakfast
- cereal, bread
- ▪
- Manufacture
- ▪
- (Consumer) spending patterns change

Solution 2

- ▪
- Factory
- ▪
- Exchange rates
- ▪
- (15% of raw) materials are imported
- ▪
- Maintaining quality
- Other appropriate examples can be credited.
- Some points can be awarded as [k] or [an] but only award

Solution 2

- the same point once e.g. waste, productivity, lower cost
- 0450/11
- May/June 2025
- Guidance

Solution 2

(e) Mark scheme

- Explain two methods of market research a business
- could use to help make business decisions. Which is
- likely to be the best method for a manufacturing
- business to use? Justify your answer.
- Award up to 2 marks for identification of relevant points.
- Award up to 2 marks for relevant development of points.
- Award up to 2 marks for a justified decision as to which is
- the best method of market research for a manufacturing

Solution 2

- business to use to make business decisions.
- Points might include:
- ▪
- Government sources/statistics [k] provide information
- from a wide number of people [an]
- ▪
- Using internet/online sources [k] which is free / low cost /
- immediately available [an]
- ▪
- Information from trade associations/journals [k] as

Solution 2

- specifically about the industry [an]
- ▪
- Market research agency reports [k] can often be
- expensive/provide detailed information [an]
- ▪
- Questionnaire [k] as provides up-to-date information /
- specific to the business [an]
- ▪
- Interviews [k] to obtain in depth details/opinions [an]
- ▪

Solution 2

- Survey [k] can reach out to more/large number of
- people [an]
- ▪
- Focus group [k] as it provides detailed information /
- allows for follow-up questions [an]
- ▪
- Test marketing [k] so the cost of any problem is limited
- to a smaller number of products [an]
- ▪
- Observation [k] low cost [an]

Solution 2

- ▪
- Newspapers/magazines [k]
- Other appropriate responses should be credited.
- 6 This is a general question so there are no marks for
- application.
- Candidates must identify the method of market research to
- access the knowledge marks not just state
- primary/secondary.
- Analysis can refer to an advantage/disadvantage of method.
- Some development can be used for more point, but only

Solution 2

- award once.
- 0450/11
- May/June 2025
- Guidance
- Justification might include:
- Government statistics [k] provide information from a wide
- number of people [an]. A focus group [k] can provide
- detailed information about consumer tastes [an].
- Government statistics are better because they are based on
- wide samples whereas a focus group is based on a few

Solution 2

- existing customers so it may not identify what is happening
- in the market overall so the business may not produce the
- right product. [eval] [eval]
- Guidance

Question 4

0450/21 J25 ▪ Q4 ▪ 20 marks

4 **(a)** Explain **one** effect on PF of the increase in each of the **two** taxes outlined in Appendix 2.

Question 4

Question 4

Question 4

Question 4

Question 4

Question 4

[8]

(b) Using Appendix 3 and other information, consider PF's financial position in 2025 and forecast financial position in 2026. Do you think Philip's sister should invest in PF? Justify your answer using suitable calculations.

Question 4

Question 4

[12]

Solution 4

(a) Mark scheme

- Explain one effect on PF of the increase in each of the two taxes
- outlined in Appendix 2.
- ▪
- Tax on people's income
- ▪
- Tax on profit made by businesses
- Award 1 mark for each effect (max 2).
- Award a maximum of 3 additional marks for each explanation of the effect of

Solution 4

- the increase in each tax – one of which must be applied to this context.
- Relevant effects of the increase in tax on people's income might include:
- ▪
- Consumers will have less income to spend – may reduce demand for
- products – leads to lower sales and revenue
- ▪
- Little effect on sales of non-luxury products – as consumers may still make
- purchases of lower priced goods – so output remains at a similar level
- ▪
- If seen as a lower priced alternative product – then may even see sales

Solution 4

- increase – as customers switch from higher priced competing products
- ▪
- Employees may ask for a wage increase to return their take home pay to
- what it was before the increase in tax level – if successful then wage costs
- will increase
- ▪
- Employees may not be as motivated as now lower pay after tax – may
- reduce output/efficiency
- Relevant effects of the increase in tax on profit made by businesses might include:
- ▪

Solution 4

- May leave less profit to be retained for future investment in the business –
- reduces investment in the business – may become less competitive in the
- future leading to lower sales
- ▪
- Owner will be left with less profit to be received in dividends – less incentive
- to carry on with the risks of owning a business
- ▪
- Discourages existing/new shareholders from investing in the business – so
- will have to look for other ways to obtain funds
- For example: Consumers will have less income available to spend (1) as the

Solution 4

- increase in tax will reduce their take-home pay (1) may reduce demand for
- PF's shoes (app) which will lead to lower sales and revenue (1).
- Application could include: rubber shoes; natural rubber raw material; build a
- new factory; 20 workers; paid a weekly wage; selling in a mass market; bank
- loan for new factory; sister wants to invest in the business; $100 000; 2% rise
- tax on incomes; 4% rise in tax on profits; information from Appendix 3.
- 8
- 0450/21
- May/June 2025

Solution 4

(b) Mark scheme

- Using Appendix 3 and other information, consider PF's financial
- position in 2025 and forecast financial position in 2026. Do you think
- Philip's sister should invest in PF? Justify your answer using suitable
- calculations.
- Level
- Description
- 3
- Sound application of knowledge and understanding of

Solution 4

- relevant business concepts using appropriate
- terminology.
- Detailed discussion of the both statements.
- Well-justified recommendation.
- Candidates discussing both statements in detail, in
- context and with a well-justified recommendation,
- including whether or not Philip's sister should invest in
- PF, should be rewarded with the top marks in the
- band.
- 9–12

Solution 4

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

Solution 4

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

Solution 4

- 1–4
- 0
- No creditable response.
- 0
- 12
- 0450/21
- May/June 2025
- Relevant points might include:
- Basic points might
- include:

Solution 4

- ▪
- The non-current assets are forecast to increase
- by \$500 000
- ▪
- Inventories are forecast to increase by \$20 000
- ▪
- Long-term bank loans are forecast to increase by
- \$460 000
- ▪
- The amount of retained profit is forecast to

Solution 4

- increase by $40\ 000 to$100 000 in 2026
- More developed
- points might
- include:
- ▪
- The current ratio for 2025 is 1.25
- ▪
- The current ratio forecast for 2026 is 1.2
- ▪
- The acid test ratio for 2025 is 1

Solution 4

- ▪
- The acid test ratio forecast for 2026 is 0.6
- ▪
- The current ratio for 2025 could be considered
- low and is better to be nearer 2 which would
- show that the business is able to pay its short-
- term debts and has sufficient liquidity
- ▪
- The current ratio forecast for 2026 is lower than
- for 2025 and is a cause for concern as to why it

Solution 4

- has fallen. This may mean that the business will
- have expanded too quickly and may have cash
- flow problems in the future
- ▪
- The low acid test ratio for 2026 suggests that the
- business is likely to have liquidity problems after
- the new factory is built
- ▪
- The expansion appears to have been forecast to
- be mainly funded by a large bank loan of

Solution 4

- $460 000 – this may cause problems in the future
- as the interest repayments of this loan will result
- in a large increase in expenses – possibly
- reducing profitability in the future
- Recommendation
- Justification might include:
- ▪
- Philip's sister should invest in PF as the non-
- current assets are forecast to increase by nearly
- double and the building of the new factory is

Solution 4

- predicted to be financed mainly by a bank loan.
- The bank will be confident of a successful
- expansion of PF, or it will not grant such a big
- loan. This should help reassure Philip's sister that
- the investment will provide good returns in the
- future.
- ▪
- Philip's sister should not invest in PF as the
- forecast statement of financial position suggests
- that there may be significant liquidity problems

Solution 4

- producing shoes in the future with an expected
- fall in the current ratio of 0.05 and an expected
- fall in the acid test ratio of 0.4.

Question 4

0450/22 J25 ▪ Q4 ▪ 20 marks

4 **(a)** Explain **two** possible effects on TSE of the business cycle in country P moving into the recession stage.

Question 4

Question 4

Question 4

Question 4

Question 4

Question 4

[8]

(b) Using Appendix 3 and other information, consider the extracts from the income statements for the **two** companies in country P. Which company should TSE take over? Justify your answer using suitable calculations.

Question 4

Question 4

[12]

Solution 4

(a) Mark scheme

- Explain two possible effects on TSE of the business cycle in country P
- moving into the recession stage.
- Award 1 mark for each relevant effect (max 2).
- Award a maximum of 3 additional marks for each explanation of the effects on
- TSE of the business cycle moving into the recession phase – one of which
- must be applied to this context.
- Relevant effects might include:
-
  -

Solution 4

- Makes it easier for TSE to recruit new employees – larger pool of
- unemployed people to choose from – may be more skilled people
- available for work
- ▪
- May make it easier to resist demand for higher wages from employees –
- with a high level of unemployment – there will be more competition
- amongst workers for jobs so willing to accept lower wages
- ▪
- May lead to lower demand for TSE's products – consumer spending is
- lower – as many people have lost their jobs – so incomes are lower

Solution 4

- ▪
- Lower priced products produced by TSE may see an increase in demand
- – as consumers have less income available to spend on luxury high
- priced items – buy cheaper substitutes
- ▪
- TSE may be less willing to invest – as future sales and therefore profit
- may not increase for some time in country P – making it more difficult to
- gain a return on investment
- ▪
- TSE may focus more on the export of its products to make up for the

Solution 4

- lower sales in country P
- ▪
- Lower revenue – may lead to lower profits
- For example: Makes it easier for TSE to recruit new employees (1) as there is
- a larger pool of unemployed people to choose from (1) and there may be
- more skilled people available to work for TSE (1) leading to an increase in the
- output of sports equipment (app).
- Application could include: sports equipment; skilled and full-time workers;
- plastic raw materials; sells in more than 30 countries; factories in 10 countries;
- want to increase market share; a well-motivated workforce is important; uses

Solution 4

- new technology and automation for flow production; unemployment is
- increasing.
- 8
- 0450/22
- May/June 2025

Solution 4

(b) Mark scheme

- Using Appendix 3 and other information, consider the extracts from the
- income statements for the two companies in country P. Which company
- should TSE take over? Justify your answer using suitable calculations.
- Level Description
- 3
- Sound application of knowledge and understanding of
- relevant business concepts using appropriate
- terminology.

Solution 4

- Detailed discussion of both companies.
- Well-justified recommendation.
- Candidates discussing both companies in detail, in
- context and with a well-justified recommendation,
- including why the alternative company was rejected,
- should be rewarded with the top marks in the band.
- 9–12
- 2
- Sound application of knowledge and understanding of
- relevant business concepts using appropriate

Solution 4

- terminology.
- Detailed discussion of one company.
- Judgement with some justification / some evaluation of
- choice made.
- Candidates discussing at least one company in detail
- and applying it to the case should be rewarded with the
- top marks in the band.
- 5–8
- 1
- Limited application of knowledge and understanding of

Solution 4

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

Solution 4

- 0
- 12
- 0450/22
- May/June 2025
- Relevant points might include:
- Simple statements:
- ▪
- Company B has twice as much revenue at $200m
- ▪
- Company A has less revenue than Company B

Solution 4

- ▪
- Company A has less than half the cost of sales, a difference of \$50m
- ▪
- Company B has higher cost of sales at \$90m
- ▪
- The expenses are less than twice as much for Company B at \$60m
- ▪
- Lower revenue means that Company A is probably smaller than
- Company B
- Possible calculations:

Solution 4

- ▪
- The gross profit of Company A is $60m
- ▪
- The gross profit margin of Company A is 60%
- ▪
- The gross profit of Company B is $110m
- ▪
- The gross profit margin of Company B is 55%
- ▪
- The profit of Company A is $20m

Solution 4

- ▪
- The profit margin of Company A is 20%
- ▪
- The profit of Company B is $50m
- ▪
- The profit margin of Company B is 25%
- Justification might include:
- ▪
- TSE should take over Company A because it has a 5% higher gross profit
- margin than Company B. This suggests that it is more efficient in its

Solution 4

- management of variable costs. It is a smaller competitor as its revenue is
- lower at $100m and therefore it could require a lower amount of capital to
- take over the company. It should not take over Company B as TSE may
- need to borrow a much higher amount of capital as the company appears
- to be larger.
- ▪
- TSE should take over Company B because it has much higher revenue
- suggesting it is a larger competitor than Company A and will better help
- TSE to achieve the aim of increasing its market share and it has a 5%
- higher profit margin than Company A.

Question 4

0450/23 J25 ▪ Q4 ▪ 20 marks

4 **(a)** Explain **two** ways the information in the government report outlined in Appendix 3 might affect Jemi's restaurant.

Question 4

Question 4

Question 4

Question 4

Question 4

Question 4

[8]

(b) Consider the following **two** methods of motivation that Jemi could use. Which method should Jemi choose to use? Justify your answer.

- Job enrichment
- Discount on meals in Jemi's restaurant

Question 4

Question 4

[12]

Solution 4

(a) Mark scheme

- Explain two ways the information in the government report outlined in
- Appendix 3 might affect Jemi's restaurant.
- Award 1 mark for each way (max 2).
- Award a maximum of 3 additional marks for each explanation of the
- way the information in the government report might affect Jemi's restaurant –
- one of which must be applied to this context.
- Relevant ways it could affect the restaurant might include:
- ▪

Solution 4

- Increase in number of families demanding vegan meals – because the
- report suggests that eating more fruit and vegetables is healthy –
- especially for children and therefore may attract more families to the
- restaurant
- ▪
- Increase in demand for vegan food from the general population – as
- increased from 10% to 25% of the population eating only vegan meals –
- trend forecast to increase in the future so likely for demand to keep
- increasing leading to growth in the market
- ▪

Solution 4

- May increase competition with other restaurants adding vegan meals to
- their menus / new restaurants opening up – which may lead to fewer
- sales for Jemi's restaurant
- ▪
- Finding suppliers of fruit and vegetables may become more difficult –
- increased transport costs from buying from suppliers further away – more
- time taken to fetch deliveries
- ▪
- Increased demand from more restaurants serving vegan meals increased
- demand for ingredients – possibly higher prices for ingredients – higher

Solution 4

- costs / higher prices
- For example: Increase in the number of customers (1) as there is likely to be
- an increase in demand for vegan meals (app) because the government report
- suggests that eating more fruit and vegetables is healthy (1) especially for
- children and therefore may attract more families to the restaurant resulting in
- an increase in revenue (1).
- Application could include: vegan target market; plant-based ingredients;
- meals; fruit and vegetables; \$50 000; chefs; working 40 hours a week; 12
- employees; increasing trend for people eating vegan meals; good for the
- environment; menus; recipes.

Solution 4

- 8
- 0450/23
- May/June 2025

Solution 4

(b) Mark scheme

- Consider the following two methods of motivation that Jemi could use.
- Which method should Jemi choose to use? Justify your answer.
- ▪
- Job enrichment
- ▪
- Discount on meals in Jemi's restaurant
- Level
- Description

Solution 4

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

Solution 4

- rewarded with the top marks in the band.
- 9–12
- 2
- Sound application of knowledge and understanding of
- relevant business concepts using appropriate
- terminology.
- Detailed discussion of at least one method of
- motivation.
- Judgement with some justification/some evaluation of
- choice made.

Solution 4

- Candidates discussing at least one method of
- motivation in detail and applying it to the case should
- be rewarded with the top marks in the band.
- 5–8
- 1
- Limited application of knowledge and understanding of
- relevant business concepts.
- Limited ability to discuss the methods of motivation
- with little/no explanation.
- Simple judgement with limited justification/limited

Solution 4

- evaluation of choice made.
- Candidates outlining both methods of motivation in
- context should be rewarded with the top marks in the
- band.
- 1–4
- 0
- No creditable response.
- 0
- 12
- 0450/23

Solution 4

- May/June 2025
- Relevant points might include:
- Job enrichment
- ▪
- Workers in the restaurant to carry out additional
- tasks that require more skill or responsibility so
- makes the job less boring – more customers served
- per hour – reducing average costs
- ▪
- Workers may become more involved in decision-

Solution 4

- making in the restaurant – makes them feel more
- valued by the business
- ▪
- May not want to take on additional responsibility –
- which may demotivate employees – leading to
- poorer customer service
- ▪
- May not have the skills to carry out the additional
- tasks – additional training likely to be required –
- increases costs

Solution 4

- Discount on
- meals in Jemi's
- restaurant
- -
- Encourages employee loyalty – by giving the 12
- employees the incentive to eat in the restaurant
- with family and friends – increases sales
- -
- Likely to encourage lower labour turnover – if
- employee values the discounts

Solution 4

- ▪
- Lower revenue after discount applied to meals –
- reduces gross profit margin on meals served to
- employees
- ▪
- May be too low to have any impact / employee
- does not want to eat at the restaurant as does not
- like vegan food
- Recommendation Judgement might include:
- ▪

Solution 4

- Job enrichment should be chosen as the business
- is new and may not be able to afford to give a
- discount. It might be better to add additional tasks
- that require more responsibility to the job to try to
- make it more interesting and maintain increased
- motivation for a longer period of time. A discount
- may only motivate the 12 restaurant workers for a
- short time as they may get fed up with the meals at
- the restaurant.
- ▪

Solution 4

- Discounts on vegan meals in the restaurant will be
- the best way to motivate employees as it will save
- them and their families money when eating at the
- restaurant which will encourage loyalty.