

# Past-paper walk-through

Environmental and ethical issues ■ 6.2

eXercise

## Questions in this set

- 0450/11 N25 Q4 ■ 20 marks
- 0450/11 J25 Q4 ■ 20 marks
- 0450/12 J25 Q4 ■ 20 marks
- 0450/12 N24 Q2 ■ 20 marks
- 0450/11 J24 Q4 ■ 20 marks

## Reading the mark scheme

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

## Question 4

0450/11 N25 ■ Q4 ■ 20 marks

- 4 MTL is a large business which sells children's toys. MTL wants to act ethically with all of its stakeholder groups including its 430 employees. The market MTL operates in has become more competitive. The business uses a range of methods to promote its products. Having a good brand image is important. MTL's directors are considering entering a new market in another country. They are aware there may be problems if they choose to do this.
- (a)** Define 'brand image'.

## Question 4

(b) Identify **two** reasons why some markets have become more competitive.

## Question 4

## Question 4

## Question 4

## Question 4

(c) Outline **one** way MTL could act ethically with each of the following stakeholder groups:

## Question 4

## Question 4

(d) Explain **two** problems MTL might have when entering a new market in another country.

## Question 4

## Question 4

## Question 4

## Question 4

## Question 4

- (e) Explain **two** methods of promotion a business might use for its products. Which method is likely to be the best for a large business to use? Justify your answer.

## Solution 4

### (a) Mark scheme

---

- Define 'brand image'.
- Award 2 marks for a full definition. Award 1 mark for a partial definition.
- ■
- The image or identity given to a product/business which
- distinguishes it from its competitors brand [2]
- ■
- Characteristics that distinguish a business from others

## Solution 4

- through design or logo [2]
- ■
- The general impression of a product/business held by
- consumers [2]
- ■
- Personality given to a product/business through
- marketing activities [2]
- Partial definition e.g.
- ■
- Identity given to a product/business [1]

## Solution 4

- ■
- How product/business is seen by others [1]
- ■
- Characteristics that make a business unique [1]
- 2
- 0450/11
- October/November 2025
- Guidance

## Solution 4

### (b) Mark scheme

---

- Identify two reasons why some markets have become
- more competitive.
- Award 1 mark for each relevant reason (max 2).
- Points might include:
  - ■
  - Globalisation/growth of free trade agreements
  - ■
- Changes in technology or examples e.g.

## Solution 4

- ecommerce/internet/social media
- ■
- Changes in legal controls / more or fewer regulations /
- government intervention in the market
- ■
- Transport improvements/infrastructure improvements
- Other appropriate responses should be credited.
- 2 Only award the first two responses given.
- Do not award:
- ■

## Solution 4

- Factors affecting demand or spending patterns such as
  - changes in population, changes in advertising or
  - changes in prices.
- Accept reduced barriers to entry once if no other specific
- reasons e.g. legal control/trade agreements
- 0450/11
- October/November 2025
- Guidance

## Solution 4

### (c) Mark scheme

---

- Outline one way MTL could act ethically with each of the
- following stakeholder groups:
- Employees
- Customers
- Award 1 mark for each relevant way (max 2).
- Award 1 mark for each relevant reference to this business
- (max 2).
- Points might include:

## Solution 4

- Employees:
  - ■
  - Pay fair/good wages [k] to its 430 employees [app]
  - ■
  - Ensure fair/good working conditions [k] when making the
  - toys [app]
  - ■
  - Not employ child labour [k]
  - ■
  - Not use zero hours contracts [k]

## Solution 4

- Customers:
  - ■
  - Charge a fair price [k] which can help maintain its good
  - brand image [app]
  - ■
  - Not advertise misleading prices [k] when operating in a
  - competitive market [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

## Solution 4

- being made.
- The following words are likely to be appropriate for this
- question:
  - ■
  - (Children's) toys
  - ■
  - 430 (employees)
  - ■
  - Competitive market
  - ■

## Solution 4

- Large (business)
- ■
- (Good) brand image
- ■
- New markets in other countries
- ■
- Methods of promotion
- Other appropriate examples can be credited.
- 0450/11
- October/November 2025

## Solution 4

- Guidance

## Solution 4

### (d) Mark scheme

---

- Explain two problems MTL might have when entering a
- new market in another country.
- Award 1 mark for identification of each relevant problem
- (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 4

- ■

- Lack of market knowledge [k] so may not be aware of
- competitors' pricing/promotion [an] for toys [app]

- ■

- Language differences) [k] so it may have to
- translate/change wording on the packaging [an] to
- explain how it is ethical [app]

- ■

- Cultural differences [k] so product may not sell there

an which could damage its brand image [app]

## Solution 4

- ■
- Changes in exchange rates [k] may make it difficult to
- set prices [an] for this large business [app]
- ■
- Different legal controls [k] which could restrict what/how
- they can sell [an]
- ■
- Import restrictions or examples such as quotas [k] which
- could restrict the number of products they can import

an

## Solution 4

- ■
- Economic differences e.g. average income, stage in
- business cycle [k]
- ■
- Social differences e.g. age structure [k]
- ■
- Increased transport costs [k] as products may have to
- be transported over long distances [an]
- ■
- Level of competition [k]

## Solution 4

- ■
- Lack of recognition of the business [k]
- ■
- High taxes [k]
- ■
- Difficulty in locating suppliers [k]
- 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 4

- question:
- ■
- (Children's) toys
- ■
- Ethical
- ■
- Stakeholder groups
- ■
- 430 employees
- ■

## Solution 4

- (Good) brand image
- ■
- Large (business)
- ■
- Methods of promotion
- Other appropriate examples can be credited.
- Some points can be [k] or [an] but only award once.
- Some [an] can be used for different points, but only award
- once.
- 0450/11

## Solution 4

- October/November 2025
- Guidance
- ■
- Increased risk of non-payment/incorrect payment [k] as
- methods of payment are likely to be different between
- each country [an]
- Other appropriate responses should be credited.
- Guidance

## Solution 4

### (e) Mark scheme

---

- Explain two methods of promotion a business might
- use for its products. Which method is likely to be the
- best for a large 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
- method is likely to be the best one for a large business to
- use.

## Solution 4

- This is a general question so there are no marks for
- application.
- Some analysis can be used for more than one method, but
- only award once.
- Analysis can be awarded for explaining:
  - ■
- Advantages of methods
- ■
- Disadvantages of methods
- ■

## Solution 4

- How the method works
- 0450/11
- October/November 2025
- Guidance
- Points might include:
  - ■
  - Television [k] is expensive/can include moving images
  - to attract attention [an]
  - ■
  - Magazines [k] as able to target specific types of

## Solution 4

- customers [an]
- ■
- Discount offers/promotional pricing/ (money off)
- coupons/loyalty card [k] which can make the products
- more affordable [an]
- ■
- Social media/internet-based advertising/influencers [k]
- to reach large numbers of people [an]
- ■
- Leaflets [k] as this is a low-cost method [an]

## Solution 4

- ■
- Posters/billboards [k] as can be seen by everyone who
- is passing by [an]
- ■
- Point of sale displays/demonstrations [k] as this allows
- the customer to be shown how it is used [an]
- ■
- Radio advertising [k] which allows them to target
- specific regions [an]
- ■

## Solution 4

- Newspapers [k]
- ■
- Gifts [k]
- ■
- Sponsorship [k]
- ■
- Competitions [k] encourage customer to buy to receive
- a reward/win [an]
- ■
- Free samples [k] increase costs [an]

## Solution 4

- ■
- BOGOF [k]
- ■
- After-sales service [k]
- Other appropriate responses should be credited.
- Justification might include:
  - Television [k] as able to include moving images to attract
  - attention [an]. Another method is posters [k] as it can be
  - seen by everyone who is passing by [an]. Television is the
  - best method as this is a large business so it should be able

## Solution 4

- to afford the cost involved [eval] and is likely to reach far
- more people than a poster [eval].
- 6

## Question 4

0450/11 J25 ■ Q4 ■ 20 marks

- 4 PKN manufactures glass. Contributing to sustainable development is important to the business. PKN has factories in 30 countries. It has 27 000 employees. The Managing Director knows PKN has benefited from globalisation. She plans to expand the business using external growth. Retained profit is one source of finance a business could use to fund expansion. Some of PKN's directors are concerned about possible diseconomies of scale as the business grows.
- (a) Identify **two** methods of external growth a business might use.

## Question 4

(b) Identify **two** reasons for globalisation.

## Question 4

(c) Outline **two** ways PKN could contribute to sustainable development.

## Question 4

(d) Explain **two** diseconomies of scale which might affect PKN as it grows.

## Question 4

## Question 4

## Question 4

## Question 4

## Question 4

## Question 4

- (e) Do you think the advantages of using retained profits to fund business expansion are greater than the disadvantages? Justify your answer.

## Question 4

## Solution 4

### (a) Mark scheme

---

- Identify two methods of external growth a business might use.
- Award 1 mark for each method (max 2).
- Points might include:
  - ■
  - Horizontal integration
  - ■
  - Forward integration

## Solution 4

- ■
- Backward integration
- ■
- Conglomerate/diversification
- ■
- Joint venture
- Other appropriate responses should be credited.
- 2 Only award the first two responses given.
- Can award below if no specific example given
- ■

## Solution 4

- Merger
  - ■
- Takeover/acquisition
  - ■
- Vertical integration
- 0450/11
- May/June 2025
- Guidance

## Solution 4

### (b) Mark scheme

---

- Identify two reasons for globalisation.
- Award 1 mark for each reason (max 2).
- Points might include:
  - ■
  - Free trade agreements / economic trading blocs /
  - reduction in trade barriers
  - ■
  - Improved/cheaper transport/travel links

## Solution 4

- ■
- Improved communication networks/technology
- ■
- Emerging/new markets are quickly expanding/rapid
- economic growth/rising income
- ■
- Governments allow companies from other countries to
- set up operations in own country
- Other appropriate responses should be credited.
- 2 Only award the first two responses given.

## Solution 4

- 0450/11
- May/June 2025
- Guidance

## Solution 4

### (c) Mark scheme

---

- Outline two ways PKN could contribute to sustainable development.
- Award 1 mark for each relevant way (max 2).
- Award 1 mark for each relevant reference to this business (max 2).
- Points might include:
  - ■
- Use renewable energy [k] in each of the 30 countries

## Solution 4

app

- ■
- Use energy efficient/environmentally friendly methods
- k to make glass [app]
- ■
- Use fewer resources/reduce output [k] in its
- factory/factories [app]
- ■
- Recycle waste [k]
- ■

## Solution 4

- Use/develop new environmentally friendly products [k]
- ■
- Avoid/reduce use of chemicals (that produce toxic
- waste) [k]
- ■
- Use packaging made of recycled material [k]
- ■
- Use packaging that can be recycled/reused [k]
- ■
- Avoid unnecessary travel [k]

## Solution 4

- ■
- Use local supplier [k]
- ■
- Replant trees [k]
- ■
- Switching to environmentally friendly transport or
- examples [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

## Solution 4

- being made.
- The following words are likely to be appropriate for this
- question:
  - ■
  - Glass
  - ■
  - Factory/factories
  - ■
  - Manufacturer
  - ■

## Solution 4

- 30 countries
- ■
- 27 000 employees
- ■
- Globalisation
- ■
- Expand/external growth
- ■
- Source of finance
- ■

## Solution 4

- Diseconomies of scale
- Other appropriate examples can be credited.
- 0450/11
- May/June 2025
- Guidance

## Solution 4

### (d) Mark scheme

---

- Explain two diseconomies of scale which might affect
- PKN as it grows.
- Award 1 mark for identification of each relevant diseconomy
- (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 4

- ■
- Low morale/motivation/lack of loyalty [k] leading to
- higher labour turnover / more workers leaving [an]
- among its 27 000 employees [app]
- ■
- Poor communication [k] leading to mistakes [an] when
- making glass [app]
- ■
- Weak/lack of co-ordination [k] leading to the wrong
- decisions [an] at the factory [app]

## Solution 4

- ■
- Lack of control [k] leading to higher average costs [an]
- Other appropriate responses should be credited.
- 6 To use words from the stem as application, the reference
- must be appropriate (i.e. make sense) in relation to the point
- being made.
- The following words are likely to be appropriate for this
- question:
- ■
- Glass

## Solution 4

- ■
- Factory/Factories
- ■
- Manufacturer
- ■
- 30 countries
- ■
- 27 000 employees
- ■
- Globalisation

## Solution 4

- ■
- Sustainable development
- ■
- Source of finance
- Other appropriate examples can be credited.
- Some analysis points can be used for any diseconomy but
- only award once e.g. higher average/unit costs.
- 0450/11
- May/June 2025
- Guidance

## Solution 4

### (e) Mark scheme

---

- Do you think the advantages of using retained profits to
- fund business expansion 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 of using retained profits to fund business
- expansion are greater than the disadvantages.

## Solution 4

- Points might include:
- Advantages:
  - ■
  - No need to repay [k] so does not increase level of
  - debt/liabilities [an]
  - ■
  - No interest to pay [k] so no additional cash
  - outflows/expenses [an]
  - ■
  - Easy/quick to obtain [k]

## Solution 4

- Disadvantages:
  - ■
  - Takes time to generate sufficient funds [k] which could
  - delay the expansion [an]
  - ■
  - May not have sufficient/any funds [k] so must limit the
  - size of expansion [an]
  - ■
  - (Keep more profit in the business) reduces
  - payment/reward to owners [k] which may deter further

## Solution 4

- investment [an]
- Other appropriate responses should be credited.
- 6 This is a general question so there are no marks for
- application.
- Some analysis could apply to more than one point, but only
- award once.
- 0450/11
- May/June 2025
- Guidance
- Justification might include:

## Solution 4

- An advantage is there is no interest to pay [k] so no
- additional cash outflows [an]. However, it may take time to
- generate these funds [k] delaying expansion [an]. The
- disadvantages are greater because expansion is likely to
- need a large amount of finance which the business may not
- have [eval]. Delay could mean the opportunity is missed

eval .

## Question 4

0450/12 J25 ■ Q4 ■ 20 marks

- 4 MHL manufactures tyres for large vehicles. It has factories in 6 countries. The business creates external costs when producing its products. Good communication with MHL's suppliers is important. The Managing Director knows globalisation provides many opportunities for MHL. She is reviewing data for one of MHL's factories as she wants to reduce the average cost of the tyres. An extract from this data is shown in Table 4.1.

**Table 4.1**

| Data for one of MHL's factories |           |
|---------------------------------|-----------|
| Output per month (units)        | 200 000   |
| Fixed costs per month           | \$500 000 |
| Variable cost per unit          | \$25      |

- (a) Define 'average cost'.

## Question 4

**(b)** Calculate total variable cost per month. Show your working.

## Question 4

## Question 4

(c) Outline **two** external costs MHL might create when producing its products.

## Question 4

## Question 4

(d) Explain **two** opportunities of globalisation for MHL.

## Question 4

## Question 4

## Question 4

- (e) Explain **two** methods of communication a business could use to communicate with its suppliers. Which is likely to be the best method to use? Justify your answer.

## Solution 4

### (a) Mark scheme

---

- Define 'average cost'.
- Award 2 marks for a full definition. Award 1 mark for a partial definition.
- ■
- Total cost divided by (total) output [2]
- ■
- Total cost divided by the number of items produced/made [2]

## Solution 4

- ■
- The cost of producing a single product/unit of output [2]
- Partial definition e.g.
- ■
- Cost divided by output [1]
- ■
- Total cost divided by number of units [1]
- 2
- $0450/12$
- May/June 2025

## Solution 4

- Guidance

## Solution 4

### (b) Mark scheme

---

- Calculate total variable cost per month. Show your
- working.
- Award 2 marks for a correct answer.
- Award 1 mark for correct method but incorrect answer.
- Correct answer:
  - ■
  - \$5 million [2]
  - ■

## Solution 4

- 5 million/5m [2]
- ■
- 5 000 000 [2]
- Correct method but incorrect answer e.g.
- ■
- $\text{Output} \times \text{variable cost per unit}$  [1]
- ■
- $200\,000 \times \$25$  [1]
- If correct answer given with no working shown award 2
- marks.

## Solution 4

- 2 Award only 1 mark if \$5 million is written as part of the
- answer but is not given as the final answer.
- \$ sign is not needed for 2 marks but million is.
- Must have correct number of zeros e.g.
- 500 000 [0]
- 0450/12
- May/June 2025
- Guidance

## Solution 4

### (c) Mark scheme

---

- Outline two external costs MHL might create when
- producing its products.
- Award 1 mark for each relevant external cost (max 2).
- Award 1 mark for each relevant reference to this business
- (max 2).
- Points might include:
  - ■
- Loss of space/land use/deforestation [k] for the factories

## Solution 4

app

- ■
- Pollution or examples such as
  - smoke/fumes/noise/chemicals in the air [k] when
  - making tyres [app]
- ■
- Deplete natural resources [k] to make 200 000 units

app

- ■
- Loss of wildlife [k] in the 6 countries [app]

## Solution 4

- 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
- question:
  - ■
  - Tyres or examples such as rubber
  - ■
  - Factories/factory

## Solution 4

- ■
- 6 countries
- ■
- (Opportunities of) globalisation
- ■
- 200 000 units (each month)
- ■
- \$25 (variable cost per unit)
- ■
- \$500 000 (fixed costs)

## Solution 4

- Other appropriate examples can be credited.
- ■
- Max 1 mark for examples of pollution.
- 0450/12
- May/June 2025
- Guidance

## Solution 4

### (d) Mark scheme

---

- Explain two opportunities of globalisation for MHL.
- Award 1 mark for identification of each relevant opportunity
- (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 4

- Increase potential sales/access more markets [k] for its
- tyres [app] increasing revenue/increase market share

an

- ■
- Cheaper/access (better quality) raw materials from
- other countries [k] for its factories [app] could help
- improve the profit margin [an]
- ■
- Lower wages/cheaper labour [k] in the 6 countries [app]
- reducing (labour) costs [an]

## Solution 4

- ■
- Avoid/fewer quotas [k] which could limit quantity
- sold/able to sell [an]
- ■
- Avoid/lower tariffs [k] so does not make products more
- expensive [an]
- ■
- Access new technologies [k] which could improve
- efficiency/allow new product development [an]
- ■

## Solution 4

- Access to government grants (in other countries) [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:
- ■
- Tyres or examples such as rubber
- ■

## Solution 4

- Factories/factory
- ■
- 6 countries
- ■
- 200 000 units (each month)
- ■
- \$25 (variable cost per unit)
- ■
- \$500 000 (fixed costs)
- Other appropriate examples can be credited.

## Solution 4

- 0450/12
- May/June 2025
- Guidance

## Solution 4

### (e) Mark scheme

---

- Explain two methods of communication a business
- could use to communicate with its suppliers. Which is
- likely to be the best method 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 communication for a business to use

## Solution 4

- when communicating with its suppliers.
- Points might include:
  - ■
  - Email [k] can be saved for future reference [an]
  - ■
  - Phone/telephone calls [k] as these allow for (immediate)
  - feedback [an]
  - ■
  - (Online) meeting [k] allows everyone to discuss
  - points/ask questions [an]

## Solution 4

- ■

- Video conference/Zoom/Teams/Google Meet/FaceTime

k as people do not have to travel [an]

- ■

- Text/SMS/WhatsApp/WeChat/(Facebook) messenger

k but can contain limited information [an]

- ■

- Letter [k] but time consuming to write/expensive to send

an

- ■

## Solution 4

- Websites [k] but no feedback/one way communication

an

- Other appropriate responses should also be credited.
- 6 This is a general question so there are no marks for
- application.
- Candidates must name the method to access the knowledge
- mark.
- For evaluation to be awarded justification will usually follow
- on from relevant analysis of points.
- To access [eval], must discuss 2 valid methods of

## Solution 4

- communication.
- Do not award answers such as written/verbal/visual as need
- to specify the method.
- 0450/12
- May/June 2025
- Guidance
- Justification might include:
  - One method is a meeting [k] allows everyone to discuss
  - points at the same time [an]. Another option is an email [k]
  - because it is quick to send [an]. Email is a better method

## Solution 4

- because it could allow the business to get the inventory it
- needs in a timely manner whereas the meeting could take
- too long to arrange [eval], and while waiting the business
- may have to stop production temporarily [eval].

## 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 4

0450/11 J24 ■ Q4 ■ 20 marks

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

## Question 4

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

## Question 4

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

## Question 4

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

## Question 4

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

## Solution 4

### (a) Mark scheme

---

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

## Solution 4

2

- OR

- A business that seeks to raise income, which it invests in a
- specific social or environmental issue [2]

- OR

- A business set up to help society/a community rather than
- make a profit [2]

- Partial definition e.g. a business that aims to help/benefit
- society [1]

- 2

## Solution 4

- 0450/11
- May/June 2024
- Notes

## Solution 4

### (b) Mark scheme

---

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

## Solution 4

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

## Solution 4

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

## Solution 4

- Notes

## Solution 4

### (c) Mark scheme

---

- Outline one advantage and one disadvantage to CFG of
- using skimming as its pricing method.
- Award 1 mark for each relevant advantage/disadvantage
- (max 2).
- Award 1 mark for each relevant reference to this business
- (max 2).
- Points might include:
- Advantages:

## Solution 4

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

## Solution 4

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

## Solution 4

- 4 To use words from the stem as application, the reference
- must be appropriate (i.e. make sense) in relation to the point
- being made.
- The following words are likely to be appropriate for this
- question:
  - ■
  - Social enterprise
  - ■
  - Cocoa beans
  - ■

## Solution 4

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

## Solution 4

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

## Solution 4

### (d) Mark scheme

---

- Explain one advantage and one disadvantage to CFG of
- using retailers as its distribution channel for the new
- product.
- Award 1 mark for identification of each relevant
- advantage/disadvantage (max 2).
- Award 1 mark for each relevant reference to this business
- (max 2).
- Award 1 mark for each relevant explanation (max 2).

## Solution 4

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

## Solution 4

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

## Solution 4

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

## Solution 4

- Other appropriate responses should also be credited.
- 6 To use words from the stem as application, the reference
- must be appropriate (i.e. make sense) in relation to the point
- being made.
- The following words are likely to be appropriate for this
- question:
- ■
- Social enterprise
- ■
- Cocoa beans

## Solution 4

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

## Solution 4

- May/June 2024
- Notes

## Solution 4

### (e) Mark scheme

---

- Do you think being ethical will always lead to lower
- profit for a business? Justify your answer.
- Award up to 2 marks for identification of relevant points.
- Award up to 2 marks for relevant development of points.
- Award up to 2 marks for justified decision as to whether
- being ethical will always lead to lower profit for a business.
- Points might include:
  - ■

## Solution 4

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

## Solution 4

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

## Solution 4

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

## Solution 4

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

## Solution 4

- the business's reputation [k] allowing them to increase prices
- an . Being ethical will not always mean lower profit because
- a better reputation is likely to attract more customers [eval],
  - and the extra revenue gained could cover the costs
  - increasing profit overall [eval].