Solutions

IGCSE Business answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

Each answer shows the steps, then the **result**.

2.1

- a choice means something else is given up
- **opportunity cost** is the **next best alternative given up** (K)

2.2

- added value = selling price − cost of materials

$$\$20 - \$8 = \$\mathbf{12}$$

  (K)

2.3

- the four factors of production
- **land**, **labour**, **capital**, **enterprise** (K each)

3.1

- any **two** of: **raise the price** (strong brand) / **lower material cost** / **improve the product** (K, K)

3.2

- for **each** of two reasons: K + An, max 3 per reason
- e.g. **runs out of cash**: cannot pay wages and suppliers → forced to stop trading
- e.g. **poor management**: weak planning → costs rise and customers are lost → the business fails

3.3

- **for**: good management plans, controls money and motivates staff
- **against**: success also needs finance, a product customers want, and an edge over competitors
- **judgement (Ev)**: management is a key factor, not always *the* most important — it depends on the business