Solutions

Marking: **K** knowledge, **App** application to the case, **An** analysis (a developed chain of reasoning), **Ev** evaluation (a justified judgement); calculations earn **M1** for the method and **A1** for the answer.

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

2.1

any two: hard-working; **risk-taker**; creative / innovative; self-confident; good communicator; determined

2.2

- $3 \div 20 \times 100$
- $=$ **15** %

2.3

- profit depends on how **efficient** the firm is and on its costs and prices (K)
- a small firm can earn more profit than a large inefficient one (An)

3.1

B

3.2

(a)

- a person who **organises** resources to start a business and takes the **risk**

(b)

- $(1.2 + 1.8) \div 10 \times 100$
- $=$ **30** %

(c) two problems, each outlined (K + App each):

- **communication** across 8 cafés becomes harder; Mei cannot manage every café herself
- **cash-flow** problems from paying for growth
- **diseconomies of scale**: staff less motivated, slower decisions
- different working cultures if the two chains join

(d) two benefits, each explained (K, App, An each):

- **less competition**: a rival is removed, so Mei can keep prices up
- higher **market share** (30 %): more customers and a stronger brand
- **economies of scale**: buying coffee beans in bulk for 8 cafés lowers costs per cup
- **fast growth**: 5 cafés at once, with their staff and customers

(e) buy the rival: (An)

- quick, removes competition, economies of scale at once

open new cafés: (An)

- cheaper in stages; Mei keeps her own **brand** and culture; less risk and debt; growth matches what she can manage

decision: (Ev) for example, Mei should buy the rival if she can finance it without heavy debt, because removing a competitor and gaining 5 cafés at once gives a strong market position; otherwise, slower internal growth is safer.

Level 3 (5–6): a justified decision for this business, weighing both sides. Level 2 (3–4): points explained and applied. Level 1 (1–2): points identified.