1(a)	**Define 'diseconomies of scale'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Factors that lead to an increase in average costs as a business grows beyond a certain size [2] OR Factors that cause average costs to increase as the scale of operations increases [2] OR The disadvantages of a business growing (too large) that result in an increase in costs per unit [2] Partial definition e.g. when costs increase because business grows [1] OR increase in average unit cost [1]
1(b)	**Identify <u>two</u> ways a business can use cost data to help make decisions.** Award 1 mark for each relevant way (max 2). Points might include: • Setting prices • Decide whether to stop/continue production/change production • Decide on the best location • Decide if finance is required/set budgets • Decide which costs need to be reduced/whether to change suppliers • Setting objectives Other appropriate responses should be credited.

1(c)	**Identify <u>four</u> fixed costs a business might have.** Award 1 mark per fixed cost (max 4). Points might include: • Rent/rates/storage costs • Insurance • Advertising • Salaries • Interest (on loans)/finance payments • Cleaning/maintenance Other appropriate responses should be credited.

1(d)	**Explain <u>one</u> advantage and <u>one</u> disadvantage to FBM of holding a high level of inventory.** Award 1 mark for identification of each relevant reason (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: Advantages: • Maintain production [k] so able to meet orders on time [an] of boats [app] • Benefit from (purchasing) economies of scale [k] leading to lower average/unit cost [an] • Able to respond quickly to unexpected order [k] increasing customer loyalty [an] Disadvantages: • Space needed to store products [k] increasing (storage) costs [an] so costs increase above $600 000 [app] • Cash/money tied up in inventory [k] leading to cash flow/liquidity problems [an] • Risk of damage/waste[k] • Opportunity cost [k] • Insurance [k] Other appropriate responses should be credited.

1(e)	**Do you think customers have a more important role in the success of a business than its employees? 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 customers have a more important role in the success of a business than its employees. Points might include: Customers: • Buy the products [k] and if ignores their needs the business will lose revenue/won't survive [an] • Can share opinions to help improve products [k] which can help increase market share [an] • Provide recommendations/word of mouth advertising [k] Employees: • Make the products [k] otherwise there is nothing to sell [an] • Employees can affect quality [k] which could damage/improve its reputation [an] • Employees provide customer service [k] which is important for brand image [an] • Without sufficient employees the business may not be able to meet demand [k] • Workers can be replaced by machines [k] Other appropriate responses should be credited.

1(e)	Justification might include: Customers are important, they buy the products [k] which generates revenue [an]. Employees make the goods [k] without them, there is nothing to sell [an]. However, customers are more important as without revenue, the business cannot cover its costs and survive in long term [eval]. A business can use automation reducing the importance of employees [eval].