3(a)	**Identify <u>X</u> and <u>Y</u>.** Award 1 mark for each correct answer. **X**: Break-even (point) **Y**: (Total) revenue
3(b)	**Define 'margin of safety'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. • The difference between the <u>current level</u> of output/sales and break-even output/sales [2] • The amount by which <u>sales</u> exceed the break-even point [2] Partial definition e.g. • Difference between total output and break-even point [1] • Number of units that exceed break-even output [1]

3(c)	**Outline <u>two</u> advantages of Vicki delegating tasks to her employees.** Award 1 mark for each relevant advantage (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Motivate employees [k] helping increase sales above 900 units [app] • Develop employee skills / increase flexibility of workforce [k] when making burgers [app] • Builds trust between the owner and her employees / better working relations [k] • The owner cannot do all tasks alone / reduces her workload / she has time to focus on other tasks [k] such as completing the break-even chart [app] • Quality of the owner's work is often improved / she is less likely to make mistakes [k] at the restaurant [app] • She can measure performance/success of employees [k] Other appropriate responses should be credited.

3(d)	**Explain <u>two</u> possible effects of an economic recession on Vicki's business.** Award 1 mark for identification of each relevant method (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: • Lower/fewer sales [k] leading to lower revenue [an] from selling burgers [app] • May need to lower costs [k] as revenue is likely to be falling [an] for the restaurant [app] • More workers available to select from [k] so may be able to lower labour costs [an] of the 14 employees [app] • Workers may be made redundant / reduce workforce / downsize [k] which could demotivate other workers [an] • Low business confidence [k] so less willing/likely to invest [an] • The business may fail / hard to survive [k] so may lose their investment [an] • May have cash flow problems [k] so cannot pay day-to-day costs [an] • May have to lower prices [k] • May delay any expansion plans [k] • Banks may not be willing to lend [k] • May change objective to survival [k] • Lower profit [k] so less funds to invest [an] Other appropriate responses should be credited.

3(e)	**Explain <u>two</u> methods of training a business might use. Which is likely to be the best method for a service 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 likely to be the best method for a service business to use. Points might include: On-the-job training [k] • Being trained in the workplace [an] • Watching a more experienced worker doing the job [an] • Allows business specific training to be given [an] • Low(er) cost [an] • Some work completed during training [an] • May learn bad habits from trainer [an] • Trainer may not be as productive as usual [an] Off-the-job training [k] • Being trained away from the workplace [an] • Allows employees to be trained by experts [an] • New/up-to-date skills/knowledge can be taught [an] • High(er) cost [an] • Wages paid but no work is being done [an] • Induction training [k] • Can help new employees understand / familiarise with the work/workplace/job role [an] • New workers settle into their job quickly [an] • Delays when start work [an] Other appropriate responses should be credited.

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3(e)	Justification might include: On-the-job training [k] is where trainees watch a more experienced worker [an]. Alternatively, off-the-job training [k] will teach up to date skills [an]. Off-the-job training is the best method as the business is more likely to improve productivity by learning the ideas [eval] whereas on-the-job training may lead to employees picking up bad habits so would have limited value [eval].

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4(a)	**Define 'fixed costs'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. • Costs that do not change with the level of output/sales [2] • Costs that do not vary in the short run with the number of items sold/produced [2] Partial definition e.g. • Costs that do not change [1]

4(b)	**Calculate DJU's average cost per week. Show your working.** Award 2 marks for a correct answer. Award 1 mark for correct method but incorrect answer. Correct answer: $7 or 7 [2] Correct method but incorrect answer e.g. • Total cost (of production) / total output [1] • $595000 / 85000 [1] If correct answer given with no working shown, award 2 marks.
4(c)	**Outline <u>two</u> ways lower interest rates might affect DJU.** Award 1 mark for each relevant way (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Increased demand/sales [k] for its clothing [app] • Lower costs / cheaper to <u>borrow</u> money [k] for the factory [app] • Encourage <u>DJU to invest</u> (more) in the business / more likely to apply for a loan [k] as the business is considering ways to grow [app] Other appropriate responses should be credited.

4(d)	**Explain <u>one</u> advantage and <u>one</u> disadvantage to DJU of using specialisation when making its products.** 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). Points might include: Advantages: • Higher output/quantity produced [k] of clothing [app] so able to meet orders (on time) [an] • Quicker/cheaper to train employees [k] so does not increase total cost costs [an] above $595 000 (per week) [app] • Increased efficiency [k] which can increase output / lead to less waste [an] in the factory [app] • Employee should become a skilled/expert / employee can specialise <u>in what they are good at</u> [k] becoming more efficient in that task [an] • Easier to use machinery to perform tasks [k] which can speed up production [an] • Fewer mistakes/errors made / better quality [k] leading to fewer customer complaints / lower costs of production / better reputation / less waste [an] Disadvantages: • Workers less motivated [k] of the 90 employees [app] so maybe more likely to leave the business / more errors [an] • Workers cannot cover for absent colleagues / may be the only person who can do that task/job [k] which could mean manufacturing may stop / slow down [an] • Need to train employees [k] increasing training costs / increased cash outflows [an] • Not spread risk [k] Other appropriate responses should be credited.

4(e)	**Do you think the advantages of taking over a competitor 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 taking over a competitor are greater than the disadvantages. Points might include: Advantages: • Reduced/less competition [k] increasing sales [an] AND/OR increase revenue [an] • Gain brand name/image of competitor / better reputation [k] leading to increasing customer loyalty [an] AND/OR more sales [an] • Economies of scale [k] leading to lower average/unit costs [an] • Access new skills/expertise/resources/ideas (from other business) [k] • More capacity/output [k] leading to possible economies of scale [an] Disadvantages: • Increased costs [k] which the business might not be able to afford [an] • Possible clash of management styles [k] leading to wrong decisions being taken [an] • Could demotivate employees [k] lowering efficiency [an] • Difficult to coordinate [k] could lead to mistakes/errors [an] • Poor communication [k] which could demotivate employees [an] • Less choice for customers [k] Other appropriate responses should be credited. Justification might include: One advantage of a taking over a competitor is less competition [k] which could allow the business to increase prices [an]. However, there could be a high cost [k] which the business might not be able to afford [an]. The advantages are greater because the combination of less competition and higher prices may lead to higher revenue [eval] which may help cover the costs of the takeover [eval].

1(a)	**Identify the lines labelled <u>X</u> and <u>Y</u> in Fig. 1.1.** Award 1 mark for each correct answer (max 2). X – Total cost(s) Y – Total revenue
1(b)	**Define 'import tariff'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. A tax placed on imported goods when they arrive into a country [2] Partial definition e.g. type of tax [1] OR Tax on imported goods [1] Other appropriate responses should be credited.
1(c)	**Outline <u>two</u> ways BPT could lower its break-even level of output.** Award 1 mark for each relevant way (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Increase price [k] of its bicycles [app] • Lower fixed cost or examples e.g. reduce rent [k] below $50 000 [app] • Lower variable / raw material costs [k] so may consider importing more than 60% [app] Other appropriate responses should be credited.

1(d)	**Explain <u>two</u> ways a depreciation in country A's exchange rate might affect BPT.** Award 1 mark for identification of each relevant way (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: • Increased cost of <u>imports</u> [k] which would increase break-even output / increase in price [an] of bicycles [app] • Exports appear cheaper [k] which may increase demand/sales [an] in the 8 countries [app] • May have to find alternative/cheaper suppliers [k] as imports its raw materials [app] which could take time / lead to production delays [an] Other appropriate responses should be credited.
1(e)	**Do you think batch production is the best method of production for a 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 whether batch production is the best method of production for a business to use. Points might include: Batch production: • (Some) flexibility [k] so can change what to make / quickly adapt to meet customer demands [an] • Production may not be greatly affected if machinery breaks down [k], so some output made [an] • Variety/range of products made [k] which could widen its customer base / help spread risk [an]

1(e)	• Can motivate workers [k] leading to less absenteeism / lower labour turnover [an] • Time lost switching/resetting machines between batches [k] could lead to lost output / lower efficiency / lower productivity [an] • Need to move/store semi-finished goods [k] increased storage costs [an] • One fault could affect entire batch [k] leading to waste [an] Flow production [k] • High output [an] • Likely to benefit from (purchasing) economies of scale / discounts for bulk purchasing [an] reducing average costs [an] • Capital intensive methods can be used / fewer employees needed [an] lowering wage cost [an] • If one machine breaks down the whole production line will stop [an] • High **set up** costs [an] • Inflexible (if demand changes) [an] Job production [k]: • Unique / meet **exact** customer needs [an] which can help brand loyalty [an] • Can charge higher price [an] which may increase profit margin [an] • Skilled labour needed [an] which increases labour costs [an] • No economies of scale [an] leading to higher average cost [an] • Production can take a long time [an] lowering potential output [an] • Costs are higher as it is labour intensive [an] • Mistakes can be expensive to correct [an] Other appropriate responses should be credited.

1(e)	Justification might include: Batch production is flexible [k] so can change what is made quickly to adapt to customer demands [an]. An alternative is flow production [k] which allows for high levels of output [an]. Batch production is the best method because there is limited value in producing a high level of output if there is no demand [eval]. Being able to adapt to changes in customer demand is likely to be more important to ensure customer loyalty / revenue. [eval]

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].