1(a)	**Define 'quality assurance'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. • Checking for quality (standards) <u>throughout</u> production process / checking quality <u>at every stage</u> [2] • A method of improving quality by trying to prevent mistakes happening <u>in the production process</u> [2] Partial definition e.g. • Checking work done / checking quality multiple times [1] • Try to prevent mistakes [1]
1(b)	**Identify <u>two</u> reasons why a business might reduce the size of its workforce.** Award one mark per reason (max 2). Points might include: • <u>Fall/decrease</u> in demand/sales/revenue / recession • Introduction of automation/machinery/technology / becoming capital intensive • Financial problems / (need) to reduce costs • Closure of factory/shop/office • Merger/takeover • Relocation / move its operations (to another part of country/world) Other appropriate responses should be credited.

1(c)	**Outline, with reference to BEI, the difference between redundancy and dismissal.** Award 1 mark for showing understanding of redundancy (max 1). Award 1 mark for showing understanding of dismissal (max 1). Award 1 mark for each relevant reference to this business (max 2). Points might include: Redundancy: • The job is no longer needed/exists [k] as business is downsizing [app] • The worker has done nothing wrong [k] when making aeroplanes [app] • Being asked to leave because the skills/experience of the employee are no longer needed [k] Dismissal: • Employee is incompetent/cannot do the job / not meeting targets [k] at the multinational company [app] • Being asked to leave because of poor behaviour/conduct of employees [k] which may affect quality assurance [app] • Termination of employment by the employer / when employee is <u>told/made</u> to leave job against will of employee [k] Other appropriate responses should be credited.

1(d)	**Explain <u>one</u> advantage and <u>one</u> disadvantage of BEI making employee A redundant.** 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: • May have to pay out less in compensation/redundancy payment [k] as only been there for 1 year [app] which could help lower cash outflows / use funds for other areas of the business [an] • Could improve productivity/efficiency [k] because they are often late for work [app] so orders are met on time [an] Disadvantages: • May lose a lot of experience [k] as worked at another business for 12 years [app] which could lead to more mistakes / less output [an] • May lose skills [k] as employee A can use most of the machinery [app] which may lead to production delays [an] • May lower motivation of other employees [k] as employee A is popular with them [app] which could increase labour turnover [an] • May have to train someone else [k] which can increase costs [an] • Lower output [k] Other appropriate responses should be credited.

1(e)	**Explain <u>two</u> possible benefits to a country of a multinational company locating there. Which benefit is likely to be the most important? 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 benefit is likely to be the most important to a country. Points might include: • Increase jobs/employment opportunities [k] increasing people's income [an] AND/OR reducing unemployment [an] AND/OR improve standard of living/reduce poverty [an] • Generate taxes [k] which may be used to improve public services [an] • More competition [k] which could increase choice/quality of products / may lead to lower prices [an] • Increase reputation/recognition of country [k] which could encourage other businesses to set up/invest in the country [an] • Knowledge sharing / increase skills / gain technical knowhow [k] which could help improve production methods / increase efficiency/output [an] • Improve infrastructure/new investment [k] Other appropriate responses should be credited. Justification might include: One benefit to the country is increased competition [k] which could increase the choice of products available [an]. It could also increase the number of jobs [k] reducing unemployment. [an] The extra jobs are likely to be the most important because this could improve the standard of living for many families [eval] who may then be able to afford to buy the wider choice of goods [eval].

4(a)	**Explain <u>two</u> reasons why high quality is important for FF** Award 1 mark for each reason (max 2). Award a maximum of 3 additional marks for **each** explanation of the reason why high quality is important – **one of which must be applied to this context.** Reasons might include: • To establish a brand image – so that customers are encouraged to buy the product – new customers are attracted • To maintain a good reputation / to not gain a bad reputation – friends and family tell others about the goods/service which may lead to a good/bad reputation – increasing/decreasing sales • To increase sales / attract more customers – due to customer needs being satisfied by the products supplied • So that faulty products do not have to be replaced – which would reduce waste / ensures customer safety / avoids legal action • Able to charge a high price – may lead to higher profit margin / as may increase added value For example: To maintain a good reputation (1) because if quality is not good then friends and family will tell others about the product which may lead to a bad reputation (1) and sales will be lower (1) for the new flower shop (app). **Application** could include: new shop/third shop; 2 shops; flowers; source of finance required for working capital; weddings; bride/groom; ribbons; contribute to sustainable development; targets a niche market; 4/8 employees at each shop; bride; average price paid is $2000; supplies purchased each day; supplies are fresh; uses job production; small business; marketing mix for the new shop; social media reviews.

4(b)	**Using Appendix 3 and other information, consider the following <u>two</u> ways FF could contribute to sustainable development. Which way should Kathryn choose? Justify your answer.** • **Buying all flowers from sustainable sources** • **Using electricity from renewable sources**

Level	Description	Marks
3	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of **both** ways. Well-justified recommendation. Candidates discussing two ways in detail, in context and with a well-justified recommendation, including why the alternative way was rejected, should be rewarded with the top marks in the band.	9–12
2	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of at least **one** way. Judgement with some justification / some evaluation of choices made. Candidates discussing one way in detail and applying it to the case should be rewarded with the top marks in the band.	5–8
1	Limited application of knowledge and understanding of relevant business concepts. Limited ability to discuss the ways with little/no explanation. Simple judgement with limited justification / limited evaluation of choices made. Candidates outlining the two ways in context should be rewarded with the top marks in the band.	1–4
0	No creditable response.	0

4(b)	Relevant points might include:

	Advantages	**Disadvantages**
Buying all flowers from sustainable sources	• Attract customers who are concerned about the environment if it is included in the advertising – increasing sales • In the future sustainable sources will still be supplying **flowers** – more secure source of supply • Sustainable sources are nearby in Main City which is good for the environment – as transport costs are lower and less polluting	• The average price on wedding flowers is **$2000** and customers may not be willing to pay more for sustainably produced flowers – so prices remain the same and profit margins may need to be lower • Costs **increase by 25%** for flowers for each average wedding flowers – if prices are raised then may make FF less competitive – losing sales

<table>
<tr><td rowspan="3">4(b)</td><td></td><td>Advantages</td><td>Disadvantages</td></tr>
<tr><td>Using electricity from renewable sources</td><td>Savings of electricity after solar panels bought – $100 per week saving on electricity for each shop
$5200 per year savings for each shop / $15 600 per year for all 3 shops
These cost savings will continue into the future – after the installation costs are repaid
May be able to reduce prices as costs of power are reduced – become more competitive</td><td>High cost to install the solar panels – costs $6000 for each shop
$18 000 if all 3 shops have solar panels
May need to take out a loan – interest costs will increase – will increase cash outflow
Relies on amount of sunlight each day – may be lower at different times of the year / difficult to store the electricity
Maintenance cost for the solar panels</td></tr>
<tr><td>Recommendation</td><td colspan="2">Justification may include:
Kathryn should buy all FF’s flowers from sustainable sources as FF may attract many more customers who are concerned about the environment, and they may be willing to pay a higher price if 25% increased cost of the flowers is passed on to customers. Purchasing solar panels may require taking out a bank loan and this will increase expenses which FF may not be able to afford given FF is opening a new shop and already has to find ways to finance its working capital.
Kathryn should use renewable energy to provide electricity for FF’s shops. This is an investment that will continue to save $300 each week for the 3 shops in the future and may help to make FF more competitive</td></tr>
</table>

1(a)	**Define 'batch production'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. • Where a quantity/group of one product is made, then a quantity of another product will be produced [2] • A whole <u>batch/group</u> moves through the different stages of production <u>together</u> [2] Partial definition e.g. • Similar items made together/items made in a group/set [1] • Moving together through different stages of production [1]
1(b)	**Identify <u>two</u> aims of promotion.** Award 1 mark for each aim (max 2). Points might include: • To raise awareness/inform/remind people about products/services • To persuade/attract (new) consumers / increase sales/revenue • To create/maintain brand/company image/reputation • Ensure/build customer loyalty/encourage repeat purchases • To introduce new products on to the market • To compete with competitors' products/differentiate from competitors Other appropriate responses should be credited.

1(c)	**Outline <u>one</u> advantage and <u>one</u> disadvantage to NFC of using quality assurance.** 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: • Errors can be spotted earlier/during production [k] of the shoes [app] • Can motivate employees [k] so may be willing to offer ideas for its product range [app] • No need to recruit quality inspectors [k] Disadvantages: • All (production) workers need training/time/cost to train workers [k] which may take funds away from developing new products [app] • Not all workers are interested/able to spot problems [k] during batch production [app] • May slow down production [k] Other appropriate responses should be credited.

1(d)	**Explain <u>two</u> benefits to NFC of using market segmentation.** Award 1 mark for identification of each relevant benefit (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: • Can design/produce goods to meet specific needs of consumers/know what to produce [k] so that costs/materials are not wasted (producing wrong product) [an] especially as plan to develop new products [app] • Help target advertising/marketing strategies [k] to ensure maximum number of people see the products [an] which is an aim of promotion [app] • Identify gaps in the market/new opportunities [k] for its shoes [app] which can help spread risk [an] • May make marketing expenditure more effective [k] so do not waste money/resources [an] Other appropriate responses should be credited.

1(e)	**Do you think the benefits of developing new products for a business are greater than the limitations? 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 benefits of developing new products for a business are greater than the limitations. Points might include: Benefits: • Increase demand/customer (base)/sales [k] which may increase revenue/market share [an] • Can help spread risk/diversification [k] if sales fall for one product, this can be offset by sales of another product [an] • Provide competitive advantage/unique selling point (USP) [k] which could increase customer/brand loyalty [an] • Enter <u>new markets</u> [k] • Improve brand recognition/reputation [k] Limitations: • Must produce new/trial products/more raw materials [k] increases costs [an] • Need to carry out market research [k] increases cash outflows [an] • Need to launch/promote/market the new product [k] • Often requires large capital expenditure/cost of new machinery [k] • May need to recruit/train additional employees/specialists [k] Other appropriate responses should be credited.

1(e)	Justification might include: New products can help increase potential sales [k] which increases revenue [an]. However, there is a cost of developing new products [k] which increases cash outflows [an]. The benefits of developing new products are greater because the extra revenue gained could cover the additional costs [eval] which can increase the chance of growth/long term survival [eval].

2(a)	**Define 'sole trader'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. • A business is owned (and controlled) by one person [2]. • An (unincorporated) business owned by one person [2]. Partial definition, e.g. • One person starts/runs/controls/operates a business [1]
2(b)	**Identify <u>two</u> ways a government can support business start-ups.** Award 1 mark for each relevant way [max 2]. Points might include: • Providing (low cost) loans / low interest rates • Providing grants • Low-cost rent • Lower tax / tax relief • Providing training • Providing advice / research / marketing data • Providing mentors Other appropriate responses should be credited.

2(c)	**Outline <u>two</u> ways Rachel could increase sales of her best-selling product.** Award 1 mark for each relevant way [max 2]. Award 1 mark for each relevant reference to this business [max 2]. Points might include: • Advertising or examples e.g. use social media [k] to explain quality is important [app] • Improve the existing product / use better quality materials / new features / new variations [k] to make its chocolate [app] • Decrease prices / promotional pricing / offer discounts [k] in the competitive market [app] • Point of sale display [k] by the sole trader [app] • Free samples [k] • Competitions [k] • Offer free gifts [k] • Buy One Get One Free / BOGOF [k] • New/change packaging [k] • Enter a new market [k] • Sell through new outlets [k] Other appropriate responses should be credited.

2(d)	**Explain <u>two</u> reasons why quality is important to Rachel's business.** Award 1 mark for 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: • Can charge higher prices [k] which could influence pricing method [app] and increase profit margin [an] • Attract new customers [k] increasing market share [an] in the competitive market [app] • Establish a brand image [k] which can increase sales [an] of chocolate bars [app] • Differentiate product from competitors [k] which could increase market share [an] • Reduce complaints [k] for the sole trader [app] so reduce returns / cash outflows / less waste [an] • Maintain customer loyalty [k] which can lead to (repeat) sales / increase revenue / buy more often [an] • Act as a form of word-of-mouth promotion [k] Other appropriate responses should be credited.

2(e)	**Do you think price skimming is the best pricing method for a business to use when introducing a new product? Justify your answer.** Award 1 mark for each relevant point [max 2]. Award 1 mark for each relevant explanation [max 2]. Award up to 2 marks for justified decision as to whether price skimming is the best pricing method to use when introducing a new product. Points might include: Price skimming: • Gives the image of high quality [k] which may increase reputation [an] • May be quick to recover research/development costs [k] to break even sooner [an] • Increase profit margin [k] • (High price) may encourage competitors to enter the market [k] which can decrease market share [an] • (High price) may decrease demand [k] which may decrease revenue [an] Other pricing methods include: • Penetration pricing [k] as the low price may be more affordable [an] which increases sales [an] • Cost-plus pricing [k] as is simple to use [an] • Competitive pricing [k] so should not lose sales to competition on price alone [an] Other appropriate answers should be credited.
2(e)	Justification might include: Price skimming means that it may be quick to recover development costs [k] which means funds can be reinvested back into the business [an]. Whereas using penetration pricing [k] can make the product more affordable [an]. Price skimming is not the best method because the high price might discourage customers from trying the product whereas penetration pricing could generate more sales [eval] and increase market share for the new product [eval].