

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.
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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.
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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].
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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.
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4(b)

Using Appendix 3 and other information, consider the following two 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

4(b)		Advantages	Disadvantages
	Using electricity from renewable sources	- 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	- 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
	Recommendation	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	

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.
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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.
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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.
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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].
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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.
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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.
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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.
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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].
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