1(a)	**Identify <u>two</u> reasons why a business might import raw materials.** Award 1 mark per reason (max 2). Points might include: • Not available/limited supply in own country • Lower cost • Better quality • Wider range of materials Other appropriate responses should be credited.
1(b)	**Calculate KPX's expenses in 2024. Show your working.** Award 2 marks for a correct answer. Award 1 mark for correct method but incorrect answer. Correct answer [2] i.e. $300 million Correct method but incorrect answer e.g. • Gross profit – profit [1] • $390m – $90m [1] If correct answer given with no working shown, award 2 marks.

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1(c)	**Outline <u>two</u> ways KPX's Finance Director could use the financial data in Table 1.1.** Award 1 mark for each relevant way (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Show whether made a profit [k] which is $90m [app] • Calculate profit margin [k] for the factory [app] • Calculate gross profit margin [k] when importing raw materials [app] • <u>Help make decisions about whether</u> to continue/stop production [k] of computers [app] • To track performance against objectives/time [k] • To compare performance against other businesses [k] • Support a loan application [k] Other appropriate responses should be credited.

1(d)	**Explain <u>two</u> methods of lean production KPX could use.** 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: • Just-in-time (inventory control) / JIT [k] when importing raw materials [app] reducing amount of space / inventory held / lower storage costs [an] • Kaizen [k] to help eliminate mistakes/errors [an] when making computers [app] Other appropriate responses should be credited.

1(e)	**Explain <u>two</u> reasons why profit is important for a business. Which reason 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 about which reason is likely to be the most important. Points might include: • Provides a source of funds [k] as no interest to pay [an] • Reward for risk-taking [k] as owners invest their money in hope of making a return on investment / motivate them to continue [an] • Represents a return on shareholder/owner's investment/enterprise [k] as otherwise they could invest elsewhere [an] • Help attract investors/finance [k] which could help the business to expand [an] • Measure of success [k] as low profit could suggest the business is not worth continuing/starting up [an] • Need for <u>long-term</u> survival [k] Other appropriate responses should be credited. Justification might include: It can provide a source of funds [k] for which there is no interest to pay [an]. It is also a reward for risk-taking [k] as owners invest their money in the hope of making a return on their investment [an]. Providing a source of funds is most important because if successful, this could provide the owners with more profit in the future [eval] which may even lead to greater returns for owners [eval].

2(a)	**Define 'profit'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. • (Total) income of a business (revenue) less <u>total</u> cost [2] • (Total) revenue minus <u>total</u> costs [2] • Difference between revenue and <u>total</u> cost [2] • Gross profit – expenses [2] Partial definition e.g. • Revenue minus costs [1] Other appropriate responses should also be credited.

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2(b)	**Identify <u>two</u> expenses a business might have.** Award 1 mark for each expense (max 2). Points might include: • Rent • Rates • Electricity/gas/heating/lighting/water/utilities • Insurance • Interest • Storage • Marketing/advertising • Salaries • Maintenance/repairs • Phone/internet Other appropriate responses should be credited.

2(c)	**Outline <u>two</u> possible reasons why FLD's gross profit is decreasing.** Award 1 mark for identification of each relevant reason (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Low/fall in amount of sales/demand/customers [k] at its 460 shops [app] • Change in price / increase/decrease (selling) price [k] for the retailer [app] • Increase in <u>cost of sales</u> /<u>variable cost</u> / increase in cost of inventory [k] so gross profit is at $200 million [app] Other appropriate responses should be credited.

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2(d)	**Explain <u>two</u> advantages to FLD of using internal recruitment when recruiting new managers.** Award 1 mark for each relevant advantage (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: • <u>Cheaper/lower</u> advertising costs (than external recruitment) [k] so lower/maintain expenses [an] of $60 million [app] • Already knows the <u>business/</u>how the <u>business</u> works [k] so can be productive sooner [an] to help sell furniture [app] • Less/no (induction) training needed [k] • Can motivate employees [k] at the 460 locations [app] reducing labour turnover/increase employee loyalty/increase sales [an] • The business knows the person/their ability/reliability/potential/can trust them [k] reducing chance of selecting the wrong person [an] • Recruitment is quicker [k] so able to focus on other business tasks [an] such as increasing its revenue above $400 million [app] Other appropriate responses should be credited.

2(e)	**Do you think job rotation is the best method for a large business to use to motivate 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 job rotation is the best method for a large business to use to motivate its employees. Points might include: Job rotation: • More flexible/gain new skills [k] leading to higher productivity [an] • Can cover/replace others when someone is absent [k] so may be able to meet an order on time [an] • Makes the work more interesting/less boring for employees [k] so lower absenteeism/labour turnover/increase productivity [an] • Increased training needed [k] increasing costs/expenses [an] • Workers may not be willing/able to do different tasks [k] lowering quality/increasing waste/leading to mistakes [an] • Takes time to switch to/learn different tasks [k] Other methods might include: • Job enrichment [k] adding more responsibilities/challenging work/making workers feel more valued/recognised/trusted [an] • Bonus [k] only pay out if target reached [an] • Praise [k] involves no additional cost [an] • Training [k] which provides new skills [an] • Promotion (opportunities) [k] Other appropriate responses should be credited.

2(e)	Justification might include: One advantage is the work is less boring for employees [k] which can lower absenteeism [an]. Another method is increasing wages [k] but this will increase expenses [an]. Job rotation is best for a large business because lower absenteeism would reduce costs of bringing in additional employees [eval] which could offset the higher labour costs for a large business which is likely to have many employees [eval].