

2(a)	Define ‘import tariff’. Award 2 marks for a full definition. Award 1 mark for a partial definition. • A tax (placed) on imported goods [2] • A tax applied to the value of imported goods [2] • A specific form of tax imposed/charged on imported goods [2] Partial definition: • A type of tax [1]
2(b)	Identify <u>one</u> non-current asset and <u>one</u> current liability. Award 1 mark per non-current asset/current liability (max 2). Points might include: Non-current assets: • Machinery • Equipment • Land • Buildings/shops/factories/offices • Motor vehicles/delivery vehicles Current liabilities: • Overdraft • Short-term loan • Trade payables (creditors) Other appropriate responses should be credited.

2(c)

Outline two ways the information in Table 2.1 might be useful to CPW.

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 value of liabilities/what the business owes [k] as has current liabilities of \$110 million [app]
- Show value of assets/what the business owns [k] which is \$190 million [app]
- Support loan application/help raise finance [k] for the 10 vehicles [app]
- Calculate working capital/current assets minus current liabilities [k] of this private sector business [app]
- Show how the business finances its activities [k] when selling kettles/ovens [app]
- Calculate current ratio/ratio of current assets to current liabilities [k] 0.63:1/0.64:1 [app]
- Compare performance with other businesses [k]
- Compare performance over time/against other years [k]
- Show value of the business/capital employed [k] \$80 million [app]
- Equity/owners capital [k] of \$5 million [app]

Other appropriate responses should be credited.

2(d)

Explain two factors CPW should consider when deciding on a source of finance for the new vehicles.

Award 1 mark for identification of each relevant factor (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:

- Amount required [k] for the 10 (vehicles) [app] because this is a large amount a bank loan/selling non-current assets maybe required [an]
- Current level of borrowing/loans [k] as the bank might not be willing to lend extra finance [an] when have non-current liabilities of \$75 million [app]
- Time period [k] as the vehicles may be needed for the long-term, the source needs to be long-term [an] to make deliveries [app]
- Cost of finance/is it affordable [k] as high interest rates could increase cash outflows/expenses [an] adding to its current liabilities of \$110 million [an]
- Size/legal form of the business [k] of this private sector business [app]
- Security/collateral needed [k]
- Level of control [k]
- How urgently the funds are required [k]

Other appropriate responses should be credited.

2(e)

Explain two objectives a private sector business might have. Which objective 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 justified decision as to which objective is likely to be the most important.

Points might include:

- Survival/stay in business [k] to breakeven/ensure costs are covered [an]
- Make a profit [k] when revenue exceeds total costs [an]
- Growth/expansion [k] as this can help spread risk [an]
- Increase sales [k] as this can lead to higher revenue [an] which is necessary to cover costs [an]
- Increase market share [k] which could provide an opportunity to control prices/dominate the market [an]
- Socially/ethically/environmentally responsible / provide a service (to the community) [k]
- Increase returns to shareholders/owners [k] to encourage investment [an]
- Increase brand image / reputation / increase brand awareness [k]
- Increase customer loyalty [k]
- Customer satisfaction [k]

Justification might include:

One objective is survival [k] to ensure costs are covered [an]. Another objective is making a profit [k] to provide a source of finance [an]. Survival is likely to be the most important objective for private sector business as they may operate in a competitive market [eval.] Without survival, there is no opportunity to make profit in the long term [eval].

3(a)

Define 'capital employed'.

Award two marks for a full definition. Award one mark for a partial definition.

(Shareholders/owners) equity plus non-current liabilities and is the total long-term capital invested in the business [2]

OR

Value of all long-term finance invested in a business [2]

OR

Represents how much money has been invested in the business to pay for all assets [2]

Partial definition e.g. finance/money invested in a business [1]

3(b)	Calculate JTA's return on capital employed (ROCE). Show your working. Award 2 marks for a correct answer. Award 1 mark for correct method but incorrect answer. Correct answer: 12.5% [2] Method: Profit ÷ capital employed × 100 [1] OR 100 ÷ 800 × 100 [1] If correct answer given with no working shown award 2 marks.
3(c)	Outline <u>two</u> benefits to JTA of selling in a mass market. Award 1 mark for each relevant benefit (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • High number of customers/sales [k] from its 44 shops [app] • Spread risk [k] when selling holidays [app] • Economies of scale/examples of economies of scale [k] which could help increase its profit of \$100m [app] • Opportunities for growth [k] for this public limited company [app] Other appropriate responses should be credited.

3(d)

Explain one advantage and one disadvantage of JTA being a public limited company.

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:

- Able to raise more/large amount of finance [k] to fund growth [an] in this mass market [app]
- No restrictions on buying/selling shares / can sell shares to general public [k] so can raise more/large amounts of finance [an]
- Limited liability (for shareholders) [k] as personal assets do not have to be sold if the business cannot pay its debts [an]
- Incorporated/separate legal identity [k]
- Continuity [k] so the business will not have to close down on the death of any owner [an]

Disadvantages:

- Risk of takeover [k] of the holiday business [app] which could change the direction/objectives of the business [an]
- Many legal formalities to follow [k] which increases costs [an]
- Have to publish accounts [k] which takes time away from other activities [an]
- Business information can be seen by competitors [k] therefore they can copy ideas / find ways to compete with you [an]

3(d)	• Shareholders expect dividends [k] which can decrease the amount of retained profit / increase cash outflows [an] Other appropriate responses should be credited.
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3(e)

Do you think increasing prices is the best way for a business to increase its profit? 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 increasing price is the best way for a business to increase its profit.

Points might include:

Increasing prices:

- Increases revenue (if sell the same amount of products) [k]
- Higher prices may suggest better quality [k] therefore customers will be willing to pay the higher prices. [an]
- Fewer customers [k] because customers may switch to competitors [an] reducing their market share [an]
- Increase profit margin [k]

Alternatives to increasing prices:

- Buy cheaper raw materials [k] which may lower quality [an] leading to fewer sales [an]
- Improve packaging/quality of product [k] increasing the number of sales [an]
- Target new markets/develop new products [k] which could increase advertising costs [an]
- Lower rent/expenses or other examples [k] lowering fixed costs [an]

Other appropriate responses should be credited.

3(e)	Justification might include: Increasing prices could increase revenue [k] if sales stay the same [an]. Reducing the cost of raw materials could increase the profit margin [k] but lower the quality [an]. Increasing prices is a better way to increase profit because lower quality products could damage their reputation [eval] and higher prices if linked to quality may attract more customers [eval]
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3(a)	Define ‘non-current assets’. Award 2 marks for a full definition. Award 1 mark for a partial definition. Resources owned by a business which will be used for a period longer than one year [2] OR Items owned by a business for more than one year [2] Partial definition e.g. items owned/bought/possessed by the business [1] OR Items in the business for more than one year [1]
3(b)	Calculate HRO’s current ratio. Show your working. Award 2 marks for a correct answer. Award 1 mark for correct method but incorrect answer. Correct answer 1.25:1 [2] OR 1.25 [2] Correct method but incorrect answer e.g. Current assets ÷ current liabilities [1] OR 250/200 [1] If correct answer given with no working shown, award 2 marks.

3(c)

State whether each of the following would be classified as a current asset or as a current liability.

Award 1 mark per correct answer (max 2).

- Trade receivables: Current asset
- Trade payables: Current liability
- Overdraft: Current liability
- Inventory: Current asset

3(d)

Explain one way the objective of HRO's shareholders to increase profit might conflict with the objectives of each of the following stakeholder groups:

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:

Customers:

- Value for money/lower prices [k] but HRO might want to increase prices [an] of its toys [app]
- HRO might want to increase the prices [k] of its toys [app] whereas customers want value for money/lower prices/refuse to buy / go to competitor [an]
- Customers want good/better quality of products [k] which may increase (material) costs [an] of this private limited company [app]
- Wider range of products [k] but this could increase HRO's costs [an]
- Reliable products/services [k]

Suppliers:

- Might want to increase prices [k] whereas HRO might want to lower prices [an], so HRO has more funds for market research [app]
- HRO wants to pay lower prices [k] which lowers revenue/profit for suppliers [an]
- Increased/regular number of orders [k] but HRO might want to place fewer orders [an] to reduce its \$200 000 current liabilities [app]
- To be treated fairly [k]

Other appropriate responses should also be credited.

3(e)

Do you think the advantages to a business of using primary market research 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 to a business of using primary market research are greater than the disadvantages.

Points might include:

Advantages:

- Up to date/new (data) [k] which can help make better/informed decisions/able to satisfy customer demand [an] increasing sales [an]
- Business specific/relevant data can be gathered [k] so should help the business find out only what it needs to know [an]
- Only available to own business / not available to the competition [k]

Disadvantages:

- Expensive [k] as need to recruit experts to assist [an] which increase cash outflows/increase costs [an]
- Time to collect [k] which could mean opportunities are missed [an]

Other appropriate points should also be credited.

Justification might include:

It allows for business specific data to be gathered [k] helping the business find out exactly what it wants to know [an]. However, it does take time to collect [k] which may mean opportunities are missed [an].

3(e)	The advantages are greater because the time spent now to gather specific information is likely to help the business make better decisions [eval] which could save the business from wasting resources in the future [eval].
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3(a)	Define ‘mass market’. Award 2 marks for a full definition. Award 1 mark for a partial definition. Where there are a large number of sales of a product [2] OR A large market containing lots of customers buying similar products [2] Partial definition e.g. lots of sales/customers [1] OR lots of buyers [1] OR market for goods that are produced in large quantities [1]
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3(b)

Calculate IDT's working capital in 2023.

Award 2 marks for correct answer.

Award 1 mark for correct method but incorrect answer.

Correct answer: \$140 million [2]

Correct method e.g. $420 - 280$ [1]

OR

Current assets – current liabilities [1]

If correct answer given with no working shown award two marks.

3(c)

Outline one reason why IDT might need the following types of finance:

Award 1 mark for each relevant reason (max 2).

Award 1 mark for each relevant reference to this business (max 2).

Points might include:

Short-term finance:

- To pay day-to-day costs/working capital [k] when making clothes [app]
- Improve cash flow position/liquidity [k] of the multinational company [app]
- Meet any unexpected emergencies/opportunities [k]

Long-term finance:

- Fund expansion/growth [k] such as the new factory [app]
- Purchase non-current assets [k] in one of the 4 countries [app]
- Develop new products [k]

Other appropriate responses should be credited.

3(d)

Explain two ways an increase in non-current liabilities might affect IDT.

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:

- Must pay interest [k] on the \$400 m [app] which increases expenses/cash outflows [an]
- Difficult to raise additional finance/more collateral required [k] as lenders may worry whether the business will be able to repay [an] despite being a multinational company [app]
- More difficult to repay loans/more debt to pay back [k] increases financial risk [an] for this clothing retailer [app]

Other appropriate responses should be credited.

3(e)

Explain two advantages to a business of being a multinational company. Which advantage do you think 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 is likely to be the most important advantage to a business of being a multinational company.

Points might include:

- Increase sales/new customers/access new markets [k] increasing revenue [an]
- Improve brand image/reputation [k] to help increase/maintain customer loyalty [an]
- Spreading risk [k] as not reliant on one market for all its sales/fall in sales in one country can be offset by increase in another [an]
- Economies of scale [k] leading to lower average/unit costs [an]
- Easier access to/cheaper raw materials [k] reducing transport costs [an]
- Lower cost of labour (in some countries) [k] improving profit margin [an]
- Avoid import quotas/tariffs [k]
- Lower/favourable tax rates/government grants/subsidies [k]

Other appropriate responses should be credited.

3(e)

Justification might include:

An advantage is access to new markets [k] increasing revenue [an]. Also easier access to raw materials [k] may reduce transport costs [an]. Access to raw materials is more important because lower costs may lead to lower prices helping the business be more competitive [eval] and improve their market share [eval].