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.

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2(c)	**Outline <u>two</u> 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 <u>value of</u> liabilities/what the business owes [k] as has current liabilities of $110 million [app] • Show <u>value of</u> 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 <u>two</u> 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 <u>two</u> 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]

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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 <u>one</u> advantage and <u>one</u> 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 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 on 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.

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.

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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]

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]

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.

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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 <u>two</u> 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.

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3(e)	**Explain <u>two</u> 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].