3(a)	**Define 'working capital'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. • The <u>money</u> available for a business to pay its day-to-day expenses/short-term debts. [2] • Current assets - current liabilities. [2] Partial definition, e.g. • Funds used to pay inventory/wages/electricity [1]

3(b)	**Calculate TKJ's profit margin. Show your working.** Award 2 marks for the correct calculation. Award 1 mark for correct method but wrong answer. Correct answer: 40% [2] Method: • Profit / revenue × 100 [1] • (400 000 / 1 000 000) × 100 [1] • 40 [1] If correct answer given and no workings shown award 2 marks.
3(c)	**Identify <u>four</u> benefits to a business of becoming a multinational company.** Award 1 mark for each relevant benefit [max 4]. Points might include: • Increased sales/access to bigger/new markets • Better reputation/image • Lower transport costs • Avoid barriers to trade • Spread risks • Easier access to raw materials • Access to cheaper labour • Take advantage of lower tax rates • Access to government funding/grants Other appropriate responses should be credited.

3(d)	**Explain <u>two</u> ways TJK could contribute to sustainable development.** Award 1 mark for 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: • Reduce waste [k] when making candles [app] leading to less pollution [an] • Use fewer resources [k] in the factory [app] so more resources left for future generations/other uses [an] • Use environmentally friendly production methods/sustainable materials [k] which could reduce harmful emissions [an] • Use renewable energy/resources [k] in batch production [app] • Develop environmentally friendly products [k] for females [app] • Buy resources locally [k] reducing their carbon footprint [an] • Recycle [k] which could reduce the amount of waste [an] • Use environmentally friendly/sustainable packaging / avoid use of plastic in packaging / biodegradable packaging [k] • Reuse materials [k] so reduce the number of materials needed [an] • Reduce amount/number of materials used [k] Other appropriate responses should be credited.

<table>
<tr><td>3(e)</td><td>Do you think batch production is the best method of production for a business to use? 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 a justified decision as to whether batch production is the best method of production for a business to use.

Points might include:
Batch production:
• Flexible / can easily change from one product to another [k] so can respond quickly to changing customer tastes [an]
• Variety of products can be made [k] which can widen its customer base/help spread risk [an]
• (Variety of tasks) can motivate employees [k]
• Machines must be re-set between batches [k] which can reduce output [an]
• Warehouse space needed [k] which increases storage costs [an]

Other methods include:
Flow production [k]
• Quick/high output [an]
• Economies of scale [an]
• Low(er) unit cost [an] so able to charge a lower price [an]
• Can operate 24 hours a day [an]
• Few(er) employees / high levels of automation [an]
• If a machine breaks down the whole production line will stop [an]
• High initial cost of machinery [an]
• Can lower motivation [an]

Job production [k]
• Can charge a high price [an] increasing profit margin [an]
• Can meet the (exact) requirements of customers [an]
• (Often) high quality [an]
• Labour intensive [an] which increases (labour) costs [an]</td></tr>
<tr><td>3(e)</td><td>Other appropriate responses should be credited.

Justification might include:
Batch production is flexible [k] which means businesses can quickly respond to changes in customer tastes [an]. However, flow production [k] might be better as a high output is produced [an]. Batch production is better because responding to customer tastes means you are likely to have less waste products [eval] whereas using flow could result in very high quantities of unwanted products which increases costs [eval].</td></tr>
</table>

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 <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.

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 <u>one</u> 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].

4(a)	**Define 'commission'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. <u>Payment to employees</u> relating to the number/value of sales made [2] Partial definition e.g. money based on sales / what sold [1]
4(b)	**Identify <u>two</u> external users of accounts.** Award 1 mark per user of external accounts (max 2). Points might include: • Banks/lenders • Suppliers • Government • Potential investor • Local community/pressure groups Other appropriate responses should be credited.

4(c)	**Identify <u>four</u> ways the information in a statement of financial position can be used.** Award 1 mark per way (max 4). Points might include: • Calculate working capital • Calculate current ratio • Calculate acid test ratio • Shows how the business finances its activities / shareholders can see how any expansion has been funded • Shows the assets the business owns / what the business owns • Show value of liabilities / what the business owes • Support loan application / raise finance / show investors • Show value of the business / what the business is worth • Compare performance over time • Compare performance against competitors Other appropriate responses should be credited.

4(d)	**Explain <u>two</u> possible reasons why providing training for its employees is important to RHN.** Award 1 mark for identification of 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: • More skilled / flexible employees [k] so can cover absences of others [an] in its 50 shops [app] • Fewer mistakes / better quality (service) [k] from its 290 employees [app] which could improve its reputation [an] • Increases motivation [k] which can help reduce labour turnover [an] which is helpful as uses internal recruitment [app] • Fewer customer complaints [k] about its clothing [app] increasing customer loyalty [an] • Less supervision needed [k], so managers have time to focus on other activities [an] • Improves efficiency/productivity [k] • Fewer accidents / ensure safe working conditions [k] • Able to train others [k] reducing training costs [an] • Provide new ideas / improves innovation [k] • Helps attract (potential) employees [k] • Helps introduce a new process [k] Other appropriate responses should be credited.

4(e)	**Do you think the advantages for a business of using internal recruitment 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 of internal recruitment for a business are greater than the disadvantages. Points might include: Advantages: • Employees know the business [k] so can start <u>work</u> more quickly / less training needed [an] • Low cost/cheaper [k] which reduces cash outflows / as do not have to spend funds on job advertisements [an] • Less time-consuming / quicker [k] which means time can be used for other purposes [an] • Can motivate employees [k] so reducing labour turnover / encourages employee loyalty / improve efficiency [an] • Company knows the employee [k] which reduces risk / likelihood of employing someone who is not appropriate for the job [an] Disadvantages: • Suitable candidates may not be available / employees may not have experience / skills needed [k] which could lead to mistakes / wrong actions taken [an] • Reduces pool / fewer potential candidates [k] • Would create another vacancy for the business to fill [k] • Could create resentment / jealousy among those not selected [k] which could demotivate these employees [an] • Lack of new ideas [k] so business may become less competitive [an]

4(e)	Other appropriate responses should be credited. Justification might include: Internal recruitment is cheaper [k] which reduces cash outflows [an]. However, the current employees may not have skills needed [k] leading to mistakes being made [an]. The potential disadvantages are greater because those mistakes could damage the businesses reputation [eval] which is likely to cost the business more money in the long term. [eval]