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| 4(a) | **Define 'brand image'.**<br><br>Award 2 marks for a full definition. Award 1 mark for a partial definition.<br><br>• The image or identity given to a product/business which distinguishes it from its competitors brand [2]<br>• Characteristics that distinguish a business from others through design or logo [2]<br>• The general impression of a product/business held by consumers [2]<br>• Personality given to a product/business through marketing activities [2]<br><br>Partial definition e.g.<br>• Identity given to a product/business [1]<br>• How product/business is seen by others [1]<br>• Characteristics that make a <u>business</u> unique [1] |

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| 4(b) | **Identify <u>two</u> reasons why some markets have become more competitive.**<br><br>Award 1 mark for each relevant reason (max 2).<br><br>Points might include:<br>• Globalisation/growth of free trade agreements<br>• Changes in technology or examples e.g. ecommerce/internet/social media<br>• Changes in legal controls / more or fewer regulations / government intervention in the market<br>• Transport improvements/infrastructure improvements<br><br>Other appropriate responses should be credited. |

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| 4(c) | **Outline <u>one</u> way MTL could act ethically with each of the following stakeholder groups:**<br>**Employees**<br>**Customers**<br><br>Award 1 mark for each relevant way (max 2).<br>Award 1 mark for each relevant reference to this business (max 2).<br><br>Points might include:<br>Employees:<br>• Pay fair/good wages [k] to its 430 employees [app]<br>• Ensure fair/good working conditions [k] when making the toys [app]<br>• Not employ child labour [k]<br>• Not use zero hours contracts [k]<br><br>Customers:<br>• Charge a fair price [k] which can help maintain its good brand image [app]<br>• Not advertise misleading prices [k] when operating in a competitive market [app]<br><br>Other appropriate responses should be credited. |

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| 4(d) | **Explain <u>two</u> problems MTL might have when entering a new market in another country.**<br><br>Award 1 mark for identification of each relevant problem (max 2).<br>Award 1 mark for each relevant reference to this business (max 2).<br>Award 1 mark for each relevant explanation (max 2).<br><br>Points might include:<br>• Lack of market knowledge [k] so may not be aware of competitors' pricing/promotion [an] for toys [app]<br>• Language differences) [k] so it may have to translate/change wording on the packaging [an] to explain how it is ethical [app]<br>• Cultural differences [k] so product may not sell there [an] which could damage its brand image [app]<br>• Changes in exchange rates [k] may make it difficult to set prices [an] for this large business [app]<br>• Different legal controls [k] which could restrict what/how they can sell [an]<br>• Import restrictions or examples such as quotas [k] which could restrict the number of products they can import [an]<br>• Economic differences e.g. average income, stage in business cycle [k]<br>• Social differences e.g. age structure [k]<br>• Increased transport costs [k] as products may have to be transported over long distances [an]<br>• Level of competition [k]<br>• Lack of recognition of the business [k]<br>• High taxes [k]<br>• Difficulty in locating suppliers [k] |

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| 4(d) | • Increased risk of non-payment/incorrect payment [k] as methods of payment are likely to be different between each country [an]<br><br>Other appropriate responses should be credited. |

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| 4(e) | Points might include:<br>• Television [k] is expensive/can include moving images to attract attention [an]<br>• Magazines [k] as able to target specific types of customers [an]<br>• Discount offers/promotional pricing/ (money off) coupons/loyalty card [k] which can make the products more affordable [an]<br>• Social media/internet-based advertising/influencers [k] to reach large numbers of people [an]<br>• Leaflets [k] as this is a low-cost method [an]<br>• Posters/billboards [k] as can be seen by everyone who is passing by [an]<br>• Point of sale displays/demonstrations [k] as this allows the customer to be shown how it is used [an]<br>• Radio advertising [k] which allows them to target specific regions [an]<br>• Newspapers [k]<br>• Gifts [k]<br>• Sponsorship [k]<br>• Competitions [k] encourage customer to buy to receive a reward/win [an]<br>• Free samples [k] increase costs [an]<br>• BOGOF [k]<br>• After-sales service [k]<br><br>Other appropriate responses should be credited.<br><br>Justification might include:<br>Television [k] as able to include moving images to attract attention [an]. Another method is posters [k] as it can be seen by everyone who is passing by [an]. Television is the best method as this is a large business so it should be able to afford the cost involved [eval] and is likely to reach far more people than a poster [eval]. |

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| 4(a) | **Identify <u>two</u> methods of external growth a business might use.**<br><br>Award 1 mark for each method (max 2).<br><br>Points might include:<br>• Horizontal integration<br>• Forward integration<br>• Backward integration<br>• Conglomerate/diversification<br>• Joint venture<br><br>Other appropriate responses should be credited. |

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| 4(b) | **Identify <u>two</u> reasons for globalisation.**<br><br>Award 1 mark for each reason (max 2).<br><br>Points might include:<br>• Free trade agreements / economic trading blocs / reduction in trade barriers<br>• Improved/cheaper transport/travel links<br>• Improved communication networks/technology<br>• Emerging/new markets are quickly expanding/rapid economic growth/rising income<br>• Governments <u>allow</u> companies from other countries to set up operations in own country<br><br>Other appropriate responses should be credited. |

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| 4(c) | **Outline <u>two</u> ways PKN could contribute to sustainable development.**<br><br>Award 1 mark for each relevant way (max 2).<br>Award 1 mark for each relevant reference to this business (max 2).<br><br>Points might include:<br>• Use renewable energy [k] in each of the 30 countries [app]<br>• Use energy efficient/environmentally friendly methods [k] to make glass [app]<br>• Use fewer resources/reduce output [k] in its factory/factories [app]<br>• Recycle waste [k]<br>• Use/develop new environmentally friendly products [k]<br>• Avoid/reduce use of chemicals (that produce toxic waste) [k]<br>• Use packaging made of recycled material [k]<br>• Use packaging that can be recycled/reused [k]<br>• Avoid unnecessary travel [k]<br>• Use local supplier [k]<br>• Replant trees [k]<br>• Switching to environmentally friendly transport or examples [k]<br><br>Other appropriate responses should be credited. |

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| 4(d) | **Explain <u>two</u> diseconomies of scale which might affect PKN as it grows.**<br><br>Award 1 mark for identification of each relevant diseconomy (max 2).<br>Award 1 mark for each relevant reference to this business (max 2).<br>Award 1 mark for each relevant explanation (max 2).<br><br>Points might include:<br>• <u>Low</u> morale/motivation/lack of loyalty [k] leading to higher labour turnover / more workers leaving [an] among its 27 000 employees [app]<br>• <u>Poor</u> communication [k] leading to mistakes [an] when making glass [app]<br>• <u>Weak/lack</u> of co-ordination [k] leading to the wrong decisions [an] at the factory [app]<br>• <u>Lack of</u> control [k] leading to higher average costs [an]<br><br>Other appropriate responses should be credited. |

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| 4(e) | **Do you think the advantages of using retained profits to fund business expansion are greater than the disadvantages? Justify your answer.**<br><br>Award up to 2 marks for identification of relevant points.<br>Award up to 2 marks for relevant development of points.<br>Award up to 2 marks for a justified decision as to whether the advantages of using retained profits to fund business expansion are greater than the disadvantages.<br><br>Points might include:<br>Advantages:<br>• No need to repay [k] so does not increase level of debt/liabilities [an]<br>• No interest to pay [k] so no additional cash outflows/expenses [an]<br>• Easy/quick to obtain [k]<br><br>Disadvantages:<br>• Takes time to generate sufficient funds [k] which could <u>delay</u> the expansion [an]<br>• May not have sufficient/any funds [k] so must <u>limit the size</u> of expansion [an]<br>• (Keep more profit in the business) reduces payment/reward to owners [k] which may deter further investment [an]<br><br>Other appropriate responses should be credited. |

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| 4(e) | Justification might include:<br>An advantage is there is no interest to pay [k] so no additional cash outflows [an]. However, it may take time to generate these funds [k] delaying expansion [an]. The disadvantages are greater because expansion is likely to need a large amount of finance which the business may not have [eval]. Delay could mean the opportunity is missed [eval]. |

IGCSE Business Studies: **s25 12**

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| 4(a) | **Define 'average cost'.**<br><br>Award 2 marks for a full definition. Award 1 mark for a partial definition.<br><br>• Total cost divided by (total) output [2]<br>• Total cost divided by the number of items produced/made [2]<br>• The cost of producing a single product/unit of output [2]<br><br>Partial definition e.g.<br>• Cost divided by output [1]<br>• Total cost divided by number of units [1] |

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| 4(b) | **Calculate total variable cost per month. Show your working.**<br><br>Award 2 marks for a correct answer.<br>Award 1 mark for correct method but incorrect answer.<br><br>Correct answer:<br>• $5 million [2]<br>• 5 million/5m [2]<br>• 5 000000 [2]<br><br>Correct method but incorrect answer e.g.<br>• Output × variable cost per unit [1]<br>• 200000 × $25 [1]<br><br>If correct answer given with no working shown award 2 marks. |

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| 4(c) | **Outline <u>two</u> external costs MHL might create when producing its products.**<br><br>Award 1 mark for each relevant external cost (max 2).<br>Award 1 mark for each relevant reference to this business (max 2).<br><br>Points might include:<br>• Loss of space/land use/deforestation [k] for the factories [app]<br>• Pollution or examples such as smoke/fumes/noise/chemicals in the air [k] when making tyres [app]<br>• Deplete natural resources [k] to make 200000 units [app]<br>• Loss of wildlife [k] in the 6 countries [app]<br><br>Other appropriate responses should be credited. |

<table>
<tr><td>4(d)</td><td>Explain <u>two</u> opportunities of globalisation for MHL.<br><br>Award 1 mark for identification of each relevant opportunity (max 2).<br>Award 1 mark for each relevant reference to this business (max 2).<br>Award 1 mark for each relevant explanation (max 2).<br><br>Points might include:<br>• Increase potential sales/access more markets [k] for its tyres [app] increasing revenue/increase market share [an]<br>• Cheaper/access (better quality) raw materials from other countries [k] for its factories [app] could help improve the profit margin [an]<br>• Lower wages/cheaper labour [k] in the 6 countries [app] reducing (labour) costs [an]<br>• Avoid/fewer quotas [k] which could limit quantity sold/able to sell [an]<br>• Avoid/lower tariffs [k] so does not make products more expensive [an]<br>• Access new technologies [k] which could improve efficiency/allow new product development [an]<br>• Access to government grants (in other countries) [k]<br><br>Other appropriate responses should be credited.</td></tr>
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| 4(e) | **Explain <u>two</u> methods of communication a business could use to communicate with its suppliers. Which is likely to be the best method to use? Justify your answer.**<br><br>Award up to 2 marks for identification of relevant points.<br>Award up to 2 marks for relevant development of points.<br>Award up to 2 marks for a justified decision as to which is the best method of communication for a business to use when communicating with its suppliers.<br><br>Points might include:<br>• Email [k] can be saved for future reference [an]<br>• Phone/telephone calls [k] as these allow for (immediate) feedback [an]<br>• (Online) meeting [k] allows everyone to discuss points/ask questions [an]<br>• Video conference/Zoom/Teams/Google Meet/FaceTime [k] as people do not have to travel [an]<br>• Text/SMS/WhatsApp/WeChat/(Facebook) messenger [k] but can contain limited information [an]<br>• Letter [k] but time consuming to write/expensive to send [an]<br>• Websites [k] but no feedback/one way communication [an]<br><br>Other appropriate responses should also be credited. |

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| 4(e) | Justification might include:<br>One method is a meeting [k] allows everyone to discuss points at the same time [an]. Another option is an email [k] because it is quick to send [an]. Email is a better method because it could allow the business to get the inventory it needs in a timely manner whereas the meeting could take too long to arrange [eval], and while waiting the business may have to stop production temporarily [eval]. |



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| 2(a) | **Define 'licensing'.**<br><br>Award 2 marks for a full definition. Award 1 mark for a partial definition.<br><br>Business gives permission for another company (in the new market being entered) to produce the branded/patented products (under licence) [2]<br>OR<br>A business in one country permits a firm (in a foreign country) to produce its branded products (under licence) [2]<br>OR<br>When a business gives the right to others to produce/sell its products (in another country) [2]<br><br>Partial definition e.g. allow someone else to make/sell your products [1] |

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| 2(b) | **Identify <u>two</u> factors which might affect how much inventory a business should hold.**<br><br>Award 1 mark per factor (max 2).<br><br>Points might include:<br>• Demand for product/amount of sales<br>• Perishability/nature/type of product/durability<br>• (Storage) space available<br>• Cost of storage/warehouse<br>• Delivery charges<br>• Seasons/celebrations/festivals<br>• Amount of money available (to buy inventory) / cost of inventory / finance<br>• Lead time/reliability of supplier<br>• Method of production / rate/quantity of output<br>• Stock control system / JIT<br>• Forecast/expected shortages<br><br>Other appropriate responses should be credited. |

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| 2(c) | **Outline <u>two</u> benefits to SNT of using batch production.**<br><br>Award 1 mark for each relevant benefit (max 2).<br>Award 1 mark for each relevant reference to this business (max 2).<br><br>Points might include:<br>• Flexible [k] helping the business adapt to the new markets in other countries [app]<br>• Production may not be affected to any great extent if machinery breaks down [k] so can continue to make some soft drinks [app]<br>• Range/variety of products [k] when making 300 000 (bottles per week) [app]<br>• Can motivate workers [k]<br><br>Other appropriate responses should be credited. |

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| 2(d) | **Explain <u>one</u> advantage and <u>one</u> disadvantage to SNT of forming a joint venture when entering new markets in other countries.**<br><br>Award 1 mark for identification of each relevant advantage/disadvantage (max 2).<br>Award 1 mark for each relevant reference to this business (max 2).<br>Award 1 mark for each relevant explanation (max 2).<br><br>Points might include:<br>Advantages:<br>• Increase capital / share costs / share resources [k] when making its soft drinks [app] which can help the business reduce borrowing [an]<br>• Access to shared knowledge/expertise [k] increasing productivity/efficiency [an] above 300 000 (bottles per week) [app]<br>• Less need for market research [k] lowers (marketing) costs [an]<br>• Avoid/reduce competition [k] increasing market share [an]<br>• Share/lower (financial) risk [k] which reduces possible losses [an]<br>• May be a legal requirement (in some countries) [k]<br><br>Disadvantages:<br>• Possible (management) conflict/disagreements/different ways of working [k] as other business may be less concerned about being ethical [app] which can slow down decision-making [an]<br>• Mistakes will reflect on all parties [k] which can damage its reputation [an] reducing its ability to offer licensing [app] |

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| 2(d) | • Must share profit [k] which may reduce motivation of each party [an]<br>• It will take time/effort to find the right partner [k] which may delay the expansion [an]<br><br>Other appropriate responses should be credited. |

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| 2(e) | **Do you think the advantages to a business of being ethical are greater than the disadvantages? Justify your answer.**<br><br>Award up to 2 marks for identification of relevant points.<br>Award up to 2 marks for relevant development of points.<br>Award up to 2 marks for a justified decision as to whether the advantages to a business of being ethical are greater than the disadvantages.<br><br>Points might include:<br>Advantages:<br>• Good image/reputation [k] so can charge high(er) prices [an]<br>• Good relations with customers [k] which can develop customer loyalty [an]<br>• Increase demand/sales/customers / enter new market [k] increasing revenue [an]<br>• Help motivate workers [k] leading to lower absenteeism / lower labour turnover / increased productivity [an]<br>• Help recruit/attract employees [k]<br>• Investors more likely to invest [k] which may make it easier to expand/grow the business [an]<br>• Can help create better supplier relations [k]<br><br>Disadvantages:<br>• Limited/fewer materials available [k] leading to less output [an]<br>• High(er) costs [k] could lead to higher prices [an]<br>• May take time to source suitable/ethical supplies [k] which could delay production [an]<br>• May have to pay more to suppliers / for materials [k] leading to higher variable costs/cost of goods sold / lower gross profit margin [an] |

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| 2(e) | Other appropriate responses should be credited.<br><br>Justification might include:<br><br>One disadvantage is the business may have higher cost of materials [k] leading to a lower gross profit margin [an]. The business may have a better reputation [k] so able to charge higher prices [an].<br><br>Being ethical is better because higher prices could increase its profit margin [eval] which could cover the additional costs of materials [eval]. |



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| 4(a) | **Define 'social enterprise'.**<br><br>Award 2 marks for a full definition. Award 1 mark for a partial definition.<br><br>An organisation that has social objectives as well as an aim to make a profit to reinvest back into the business [2]<br>OR<br>A business with social objectives that reinvests most of its profits back into the business/into benefiting society at large [2]<br>OR<br>A business that seeks to raise income, which it invests in a specific social or environmental issue [2]<br>OR<br>A business set up to help society/a community rather than make a profit [2]<br><br>Partial definition e.g. a business that aims to help/benefit society [1] |

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| 4(b) | **Identify <u>two</u> ways legal controls over marketing might affect a business.**<br><br>Award 1 mark per way (max 2).<br><br>Points might include:<br>• No misleading promotion/advertising<br>• No price fixing/charging very high prices where there is little or no competition<br>• No selling faulty/dangerous goods/certain ingredients<br>• Ensure products are fit for purpose<br>• Price reductions must be genuine<br>• Increased costs to meet the legal controls/pay fines<br>• Spend longer time ensuring they meet the legal controls<br>• May need to alter packaging<br>• Restrictions on advertising certain products to some age groups/places.<br><br>Other appropriate responses should also be credited. |

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| 4(c) | **Outline <u>one</u> advantage and <u>one</u> disadvantage to CFG of using skimming as its pricing method.**<br><br>Award 1 mark for each relevant advantage/disadvantage (max 2).<br>Award 1 mark for each relevant reference to this business (max 2).<br><br>Points might include:<br>Advantages:<br>• Helps establish a high-quality image/customers may think it is a good quality [k] which may also help as want to be ethical [app]<br>• Can quickly recover research/development costs [k] which is important as developed a new product [app]<br>• Higher revenue per item [k] for its chocolate [app]<br>• May have a lower break-even output [k]<br><br>Disadvantages:<br>• High price might discourage (potential) customers [k] for this social enterprise [app]<br>• High prices/profitability could encourage competitors to enter market [k] so may not be able to support local farmers [app]<br><br>Other appropriate responses should be credited. |

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| 4(d) | **Explain <u>one</u> advantage and <u>one</u> disadvantage to CFG of using retailers as its distribution channel for the new product.**<br><br>Award 1 mark for identification of each relevant advantage/disadvantage (max 2).<br>Award 1 mark for each relevant reference to this business (max 2).<br>Award 1 mark for each relevant explanation (max 2).<br><br>Points might include:<br>Advantages:<br>• Producers can sell in large quantities to retailers [k] increasing revenue [an] from its new product [app]<br>• Reduced costs **(compared to selling direct to consumers)** [k] increasing profit margin [an] in this social enterprise [app]<br>• Retailer shares the cost of holding inventory [k] lowering expenses [an]<br>• Retailers will promote the product [k] reducing the cost of promotion/increasing sales [an]<br>• Access wider range of customers [k]<br><br>Disadvantages:<br>• No direct contact with consumer [k] about its chocolate bar [app] so may not adapt to changing needs [an]<br>• Final price (paid by consumer) is often high [k] so may be uncompetitive [an]<br>• Retailer takes some of profit away from the producer [k]<br>• Producer loses some control of marketing mix [k]<br>• Retailers usually sell competitors' products as well [k]<br><br>Other appropriate responses should also be credited. |

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| 4(e) | **Do you think being ethical will always lead to lower profit for a business? Justify your answer.**<br><br>Award up to 2 marks for identification of relevant points.<br>Award up to 2 marks for relevant development of points.<br>Award up to 2 marks for justified decision as to whether being ethical will always lead to lower profit for a business.<br><br>Points might include:<br>• Limited/fewer sources of materials [k] leading to less output [an]<br>• Higher cost of materials [k] leading to higher variable costs/cost of goods [an] which lowers gross profit margin [an]<br>• Workers may have to be paid more/fair pay [k] increasing labour costs [an]<br>• May take time to source ethical supplies [k] which could delay production [an]<br>• Good image/reputation [k] so can charge high(er) prices/ lead to customer loyalty [an]<br>• High(er) demand / increase sales / enter new market / more customers [k] which could increase revenue [an]<br>• Help recruit/motivate/retain workers [k] leading to lower absenteeism/increased productivity [an]<br>• Investors more likely to invest [k]<br>• Can help create better supplier relations (by paying a fair price) [k]<br>• Less opposition from pressure groups [k] |

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| 4(e) | Justification might include:<br>Being ethical could mean having to pay more to suppliers [k] increasing variable costs [an]. However, this could improve the business's reputation [k] allowing them to increase prices [an]. Being ethical will not always mean lower profit because a better reputation is likely to attract more customers [eval], and the extra revenue gained could cover the costs increasing profit overall [eval]. |