1(a)	**Define 'quality assurance'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. • Checking for quality (standards) <u>throughout</u> production process / checking quality <u>at every stage</u> [2] • A method of improving quality by trying to prevent mistakes happening <u>in the production process</u> [2] Partial definition e.g. • Checking work done / checking quality multiple times [1] • Try to prevent mistakes [1]
1(b)	**Identify <u>two</u> reasons why a business might reduce the size of its workforce.** Award one mark per reason (max 2). Points might include: • <u>Fall/decrease</u> in demand/sales/revenue / recession • Introduction of automation/machinery/technology / becoming capital intensive • Financial problems / (need) to reduce costs • Closure of factory/shop/office • Merger/takeover • Relocation / move its operations (to another part of country/world) Other appropriate responses should be credited.

1(c)	**Outline, with reference to BEI, the difference between redundancy and dismissal.** Award 1 mark for showing understanding of redundancy (max 1). Award 1 mark for showing understanding of dismissal (max 1). Award 1 mark for each relevant reference to this business (max 2). Points might include: Redundancy: • The job is no longer needed/exists [k] as business is downsizing [app] • The worker has done nothing wrong [k] when making aeroplanes [app] • Being asked to leave because the skills/experience of the employee are no longer needed [k] Dismissal: • Employee is incompetent/cannot do the job / not meeting targets [k] at the multinational company [app] • Being asked to leave because of poor behaviour/conduct of employees [k] which may affect quality assurance [app] • Termination of employment by the employer / when employee is <u>told/made</u> to leave job against will of employee [k] Other appropriate responses should be credited.

1(d)	**Explain <u>one</u> advantage and <u>one</u> disadvantage of BEI making employee A redundant.** 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: • May have to pay out less in compensation/redundancy payment [k] as only been there for 1 year [app] which could help lower cash outflows / use funds for other areas of the business [an] • Could improve productivity/efficiency [k] because they are often late for work [app] so orders are met on time [an] Disadvantages: • May lose a lot of experience [k] as worked at another business for 12 years [app] which could lead to more mistakes / less output [an] • May lose skills [k] as employee A can use most of the machinery [app] which may lead to production delays [an] • May lower motivation of other employees [k] as employee A is popular with them [app] which could increase labour turnover [an] • May have to train someone else [k] which can increase costs [an] • Lower output [k] Other appropriate responses should be credited.

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1(e)	**Explain <u>two</u> possible benefits to a country of a multinational company locating there. Which benefit 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 benefit is likely to be the most important to a country. Points might include: • Increase jobs/employment opportunities [k] increasing people's income [an] AND/OR reducing unemployment [an] AND/OR improve standard of living/reduce poverty [an] • Generate taxes [k] which may be used to improve public services [an] • More competition [k] which could increase choice/quality of products / may lead to lower prices [an] • Increase reputation/recognition of country [k] which could encourage other businesses to set up/invest in the country [an] • Knowledge sharing / increase skills / gain technical knowhow [k] which could help improve production methods / increase efficiency/output [an] • Improve infrastructure/new investment [k] Other appropriate responses should be credited. Justification might include: One benefit to the country is increased competition [k] which could increase the choice of products available [an]. It could also increase the number of jobs [k] reducing unemployment. [an] The extra jobs are likely to be the most important because this could improve the standard of living for many families [eval] who may then be able to afford to buy the wider choice of goods [eval].

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.

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].

1(a)	**Explain <u>one</u> way each of the following problems may affect TSE when entering a new market in another country.** • **Cultural differences** • **Lack of knowledge** Award 1 mark for each way (max 2). Award a maximum of 3 additional marks for **each** explanation of the way the problem may affect TSE when entering a new market in another country – **one of which must be applied to this context.** Relevant ways might include: Cultural differences: • There may be different preferences for types of sports played in a market in another country – as TSE may need to adapt its sports equipment to the ones required for this market – may increase development costs • Possibly need to adapt packaging/marketing/advertising in order to cope with differences in culture – may increase marketing costs • May not be able to compete with existing suppliers of sports equipment that already recognise cultural differences and how this impacts customer choice – customers may be brand loyal to locally produced products • May not produce different products for a new market, so may reduce opportunities for economies of scale – possibly increasing unit costs Lack of knowledge (of the market): • TSE may not be aware of the shopping habits of customers – may need to use different distribution channels to those it is familiar with – may be difficult to become established with retailers in a new market in another country • TSE may lack knowledge of competitors – not aware of competitors' brands of sports products and pricing – may find it difficult to enter a new market if competitors are well established For example: TSE may lack knowledge of competitors in a new market in another country (1) and may not be aware of competitors' brands of sports products (app) and the pricing strategies they use (1) so TSE may find it difficult to enter a new market if competitors are well established (1). **Application** could include: sports equipment; plastic raw materials; two companies that may be taken over; want to increase market share; multinational company; sports; badminton/football/tennis.

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1(b) **Consider the following <u>two</u> benefits for TSE of having a well-motivated workforce. Which benefit is likely to be the most important to TSE? Justify your answer.**

- **Reduced absenteeism**
- **Low labour turnover**

Level	Description	Marks
3	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of **both** benefits. Well-justified conclusion. Candidates discussing both benefits in detail, in context and with a well-justified conclusion, including why the alternative benefit was rejected, should be rewarded with the top marks in the band.	9–12
2	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of at least **one** benefit. Judgement with some justification / some evaluation of choice made. Candidates discussing at least one benefit in detail and applying it to the case should be rewarded with the top marks in the band.	5–8
1	Limited application of knowledge and understanding of relevant business concepts. Limited ability to discuss the benefits with little/no explanation. Simple judgement with limited justification / limited evaluation of choice made. Candidates outlining both benefits in context should be rewarded with the top marks in the band.	1–4
0	No creditable response.	0

1(b)	Relevant points might include: <table><tr><td>Reduced absenteeism</td><td> - Production not delayed/disrupted – no delay in producing planned output – meets customer orders and satisfies demand for **sports equipment** - No need to move **skilled employees** around to complete tasks for absent employees – more productive – leading to higher output and possibly increased sales if all the output is sold - If fewer absences occur, then may have lower production costs per unit – if absent the employees may still be paid but not producing any output </td></tr><tr><td>Lower labour turnover</td><td> - Lower recruitment costs – as fewer **skilled employees** leave and need to be replaced – less need for advertisements and interviews – saving time and money for HR department - Fewer new employees so less induction training required – reducing training costs and expenses for TSE - May be easier to promote employees internally – as there will be many experienced employees that are employed by the business – they will have more experience of TSE's **flow production line,** and the chances of promotion will further increase motivation </td></tr><tr><td>Conclusion</td><td>Justification might include: - Reduced absenteeism is the most important benefit as when **skilled employees** are absent then other workers will need to move across and do their job, or the production will stop and output will be reduced. Lower labour turnover is less important as employing new workers can bring new ideas to TSE which can help to make the business more successful in the future. - Lower labour turnover is the most important benefit as TSE will not keep losing employees and will not need to spend time and money on recruiting and training new employees to operate the **automated production line**. This is likely to reduce costs for TSE. </td></tr></table>

4(a)	**Define 'external costs'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. Costs paid for by (the rest of) society, other than the business, as a result of business activity [2] OR Costs paid for by (the rest of) society as a result of business actions [2] OR Costs/disadvantages that fall on third parties that is not directly involved in the production process [2] OR Negative effect on a third party/society due to business actions [2] Partial definition e.g. costs that society/third party must pay [1] OR Costs incurred by people who do not take part in the production process [1]

4(b)	**Identify <u>one</u> objective each of the following stakeholder groups might have:** Award 1 mark per objective (max 2). Points might include: Employees: • Increased pay/wages/fair wages/regular pay • Better/safe working conditions • Access to training • Job security • Have contract of employment • Work provides motivation / opportunities for promotion / improved status / job satisfaction Customers: • Safe/reliable products • Value for money/reasonable prices • Well-designed/good quality products • Reliable/good service Other appropriate responses should be credited.

4(c)	**Identify <u>four</u> ways a pressure group might try to influence business decisions.** Award 1 mark per way (max 4). Points might include: • (Organise) customer boycotts • Raise awareness or examples such as cause negative publicity / publish information / write to newspaper • Lobby/send letters to government • Demonstrations/protests • Arrange petitions • Legal action Other appropriate responses should be credited.

4(d)	**Explain <u>one</u> possible benefit and <u>one</u> possible drawback to a country of having FSW (a multinational company) operating there.** Award 1 mark for identification of each relevant benefit/drawback (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: Benefits: • Creates jobs/provides income [k] for those making the steel [app] improving living standards [an] • Orders for local suppliers [k] from its 6 factories [app] increasing local incomes/GDP [an] • Technical knowhow increased [k] which could help improve production methods/efficiency/output [an] such as new ways to maintain quality [app] • Companies pay taxes [k] increasing government income / government able to provide more services to society [an] • Improve international reputation of country [k] which can attract other businesses to a country [an] • Increased investment/infrastructure development in a country [k] • Introduces new products to the country [k] Drawbacks: • Competition for local businesses [k] leading to lower demand/prices [an] for construction businesses [app]

4(d)	• Uses limited resources [k] which may upset pressure groups [app] as there is less available for other local businesses [an] • Profits are often repatriated [k] limiting the country’s growth [an] • Jobs created may be unskilled [k] • Creates pollution [k]when producing steel [app] Other appropriate responses should be credited.

4(e)	**Do you think quality assurance is the best way for a business to achieve quality production? 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 quality assurance is the best way for a business to achieve quality production. Points might include: Quality assurance: • Errors are spotted earlier in process [k], so less money/time spent on rework [an] • Increased motivation of employees [k] leading to higher output [an] • Need to train all workers [k] which increases training costs [an] • Time taken to train all workers [k] who may ask for higher wages [an] • Slows down production/time consuming [k] therefore productivity will fall [an] • Not all workers might be interested/able to spot problems [k] Quality control [k] • Does not stop production while checking [an] so some output is made [an] • Not all workers need to be trained [an] which can help reduce fixed costs [an] • Need to recruit quality inspectors [an] increasing labour cost [an] • Does not find out how/where fault occurred [an] • Products will need to be scrapped/reworked [an]

4(e)	• Does not encourage all workers to be responsible for quality [an] • Does not improve quality as only reduces chance of selling poor quality products [an] • Not possible to check all products [an] damaging reputation [an] Other appropriate responses should be credited. Justification might include: Quality assurance allows for errors to be spotted earlier in the process [k], so less time is spent on rework [an]. An advantage of quality control [k] is not everyone needs to be trained to check quality [an]. Quality assurance is the best way because the extra training provided is also likely to motivate employees leading to fewer mistakes anyway, and this should hopefully cover the additional cost of training. [eval] [eval].

3(a)	**Explain <u>one</u> way each of the following stakeholder groups might be affected by a business becoming a multinational company.** Award 1 mark for how each stakeholder group will be affected (max 2 marks for each stakeholder group). Award a maximum of 1 additional mark for **each** explanation of how the stakeholder group will be affected. There are no application marks available for this question. Effects on shareholders might include: • Value of assets of company increases – as increased profit can be reinvested • Increased dividends – profit increases from avoiding barriers to trade • Lower dividends – if need to fund expansion into other countries • Increased share price/value of shares increases – as becomes a more well-known business due to market share increasing • Easier to sell shares – as the company is known globally with higher revenue/profit/better image Effects on employees might include: • May lose jobs – as business moves to produce in a country with lower labour/production costs • May gain promotion – from business expanding into different markets / business can access a larger target market and additional jobs may be required • May have a more secure job – as business remains competitive if competitor companies are also expanding abroad • Higher wages paid – as business is more successful and can afford to increase wage rates Effects on suppliers: • May have increased sales – as output of multinational increases • May lose sales – as multinational may purchase from cheaper suppliers in other countries Effects on government: • Higher tax revenue if higher profit repatriated • May lose tax revenue if multinational locates head office in another country For example: Employees may lose their jobs (1) as the business becomes a multinational company and moves its production to another country to lower labour/production costs (1).

3(b) **Using Appendix 2 and other information, consider the <u>two</u> countries BB could choose to locate its first new factory. Which country should BB choose? Justify your answer.**

Level	Description	Marks
3	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of **both** countries. Well-justified recommendation. Candidates discussing both countries in detail, in context and with a well-justified recommendation, including why the alternative country is rejected, should be rewarded with the top marks in the band.	**9–12**
2	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of at least **one** country. Judgement with some justification/some evaluation of choices made. Candidates discussing at least one country in detail and applying it to the case should be rewarded with the top marks in the band.	**5–8**
1	Limited application of knowledge and understanding of relevant business concepts. Limited ability to discuss the countries with little/no explanation. Simple judgement with limited justification/limited evaluation of choices made. Candidates outlining both countries in context should be rewarded with the top marks in the band.	**1–4**
0	No creditable response.	**0**

3(b) Relevant points might include:

	Benefits	Drawbacks
Country A	• Gross profit per bike is $225 more than Country B • Highest selling price per bike at **$1000** – possibly highest revenue if demand remains high **70% of raw materials are available in country A** which may make it easier and quicker to receive supplies – less need to import • Only 30% of the raw materials need to be imported – so depreciation in exchange rate may have smaller effect on costs • Gross profit margin is 35% which is higher than country B at 31.25%	• Has **many competitors** so demand may be lower – may have to reduce selling price to attract customers – possibly reducing revenue • May have to spend more on marketing to enter the new market abroad – increasing costs – possibly reducing profit • Higher wage costs to produce **each bicycle** at three times the cost of Country B – leading to higher wage costs overall • Harder to recruit new workers as **unemployment is low** – may have to offer more fringe benefits to attract employees from their **many competitors** • 30% of raw materials need to be imported – if depreciation in the exchange rate of country A then may make the cost of these raw materials more expensive

3(b)

	Benefits	Drawbacks
Country B	• **Half the raw material cost per bicycle at $175** in country A – makes it easier to charge the lowest **price of $400 per bicycle** • **High unemployment** makes it easier to recruit new employees – more likely to remain with BB as few alternative employment opportunities in country B – lowering recruitment costs/training costs in the future • Lowest wage costs **at $100 per bicycle** – reducing total labour costs • **Low price at $400 per bicycle** may attract many customers – possibly increasing revenue	• **Only 40% of raw materials are available in country B** so a large proportion of other raw materials may need to be imported/transported a long way – increasing delivery costs and delivery time • Lower difference between price of **$400** and costs of $275 = $125, whereas it is $350 in country A • **Few competitors** may indicate that demand for **bicycles** in country B is low – BB needs to spend on market research to be sure there is a market in country B – investment could be wasted if there is not sufficient demand to make the expansion successful
Recommendation	Justification might include: • BB should choose country A as it can charge the highest **price of $1000 per bicycle** which may lead to higher revenue and with a higher difference of $350 per bicycle between price and variable costs it gives the highest gross profit per bicycle sold. Whereas country B has to have 60% of raw materials imported and if there is a depreciation in the exchange rate then this could be very expensive in the future. • BB should choose country B as it has the lowest wage cost per bicycle, and it will be easy to recruit new employees as there is **high unemployment** there.	

4(a)	**Explain <u>two</u> reasons why BB might want to sell its products in new markets in other countries.** Award 1 mark for each reason (max 2). Award a maximum of 3 additional marks for **each** explanation of the reason why BB might want to enter new markets in other countries – **one of which must be applied to this context.** Relevant reasons might include: • Much greater growth potential than existing market – populations may be increasing and incomes rising – enabling more people to afford BB's products • Home market has slow growth – so future growth in sales is limited – new markets provide opportunities for growth not available in the existing market • May encourage more production to be located in other countries as well as sales – provides more information on these markets to lead to better understanding of these customers • New developments in marketing may make it easier to reach consumers in foreign markets • To increase sales of BB's products – increases revenue and possibly profit if distribution costs are not too high • Spreads risk – less dependent on one market for its sales For example: There may be much greater growth potential than existing market (1) because population and incomes may be rising (1) which enables more people to afford BB's bikes (app) so sales and revenue will increase (1). **Application** could include: new factory; bikes; flow production; wants to become a multinational company; bike manufacturer; exports 30%; target market of adults and young children; bike components e.g. gears; 100 production workers; paid $10 per hour; sells through specialist bicycle shops; sales have not grown for 3 years.

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4(b) **Using Appendix 3 and other information, consider BB's financial performance compared to its main competitor. Do you think BB's financial performance is better than its competitor? Justify your answer using appropriate calculations.**

Level	Description	Marks
3	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion whether BB or its competitor has the better financial performance. Well-justified conclusion. Candidates discussing in detail whether or not BB has a better financial performance than its competitor, in context and with a well-justified conclusion should be rewarded with the top marks in the band.	**9–12**
2	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of whether BB or its competitor has a good financial performance. Judgement with some justification/some evaluation of choice made. Candidates discussing in detail whether BB and its competitor has a good financial performance and applying it to the case with a well justified conclusion should be rewarded with the top marks in the band.	**5–8**
1	Limited application of knowledge and understanding of relevant business concepts. Limited ability to discuss the financial performance of BB and its competitor with little/no explanation. Simple judgement with limited justification/limited evaluation of choice made. Candidates outlining the financial performance of BB and its competitor in context should be rewarded with the top marks in the band.	**1–4**
0	No creditable response.	**0**

4(b)	Relevant points might include:	
	Level 1	• The return on capital employed is twice as high as its competitor at **30%** • BB has taken out a bank loan for **$10m** which is $50m lower than the competitor • Gross profit is only half the amount of the competitor's at **$60m** • BB has $80m less revenue than its competitor at **$120m for the year** • The acid test ratio is higher at **1.3** • Revenue is lower at **$120m** for BB and **sales have not been increasing for its bestselling children's bicycle** • Profit is a lot lower than its competitor's profit statements
	Level 2 statements	• The return on capital employed is higher for BB at **30%** and indicates that BB gains $30 return for every $100 dollars invested in BB but the competitor only returns $15 for every $100 invested so BB is more efficient in its use of capital • The **acid test ratio of 0.67** for BB's competitor shows that after inventories have been removed from current assets it cannot pay all its current liabilities when they fall due for payment. This may make it difficult for the competitor to keep trading if it cannot pay its current liabilities without relying on cash inflows from the sale of inventories • The acid test ratio for BB is good at **1.3** and indicates that BB can repay its current liabilities by 1.3 times – so liquidity is good. However, this may suggest that current assets could be put to better use in the business to increase revenue • The gross profit margin for BB's competitor is 60% • The gross profit margin for BB is 50% • The profit margin for BB's competitor is 20% • The profit margin for BB is 5%

4(b)	Conclusion	• BB's financial performance is better than its competitor as the acid test ratio of **1.3** indicates that BB has better liquidity than its competitor with only an acid test ratio of **0.67.** BB may be able to pay any current liabilities more easily. BB is at less risk of insolvency than its competitor and has $50m fewer loans to repay than its competitor. The competitor may have higher gross profit margin and higher profit margin, but these do not lead to a higher ROCE. • BB's competitor has a better financial performance as the gross profit margin is higher by 10% and the profit margin is also higher by 15%.