1(a)	**Explain two reasons why customers might buy from ES rather than from one of its competitors.** Award 1 mark for **each** reason why customers may be more willing to buy from ES rather than one of its competitors (max 2). Award a maximum of 3 additional marks for **each** explanation of thereason - **one of which must be applied to this context.** Reasons might include: • ES has a brand name that is well-known so makes it easy to identify – its brand name makes the business stand out from competitors – customers more likely to choose the branded boats over less well-known ones • Customers are assured of the quality they expect to receive – so may attract more customers – as boat is less likely to have faults or errors in the manufacture • Customers may think the quality is higher than unbranded products – may be more willing to pay a higher price – feel confident that the boats have been manufactured by skilled employees • ES has a good reputation – giving customers confidence that ES is a reliable business to buy from – feel reassured that ES will meet their needs • ES's products may be cheaper than its competitors For example: ES has a brand name that is well-known so makes it easy for customers to identify it (1) as its brand name make the business stand out from competitors (1) so customers more likely to choose ES over a less well-known competitors (1) when they are buying a new boat (app). **Application** might include: boats; 20 years' experience; started own business 4 years ago; sailing; 12 skilled employees; may use social media to promote the business; 4 new employees; high quality; well-established brand; voted 3rd best in the country; promotion in sailing magazines; information from Appendix 2 or Appendix 3.

1(b) **Consider the advantages and disadvantages of the following two types of business organisation that Tim could use when his brothers join the business. Which would be the best type for Tim to choose? Justify your answer.**

- **Partnership**
- **Private limited company**

Level	Description	Marks
3	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of **both** types of business organisation. Well-justified recommendation. Candidates discussing both types of business organisation, in context and with a well-justified recommendation, including why the alternative type of business organisation 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 **one** type of business organisation. Judgement with some justification / some evaluation of choice made. Candidates discussing in detail one or more types of business organisation 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 types of business organisation with little/no explanation. Simple judgement with limited justification / limited evaluation of choice made. Candidates outlining the two types of business organisation 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:

	Advantages	Disadvantages
Partnership	• It is easy to set-up – as there are few legal requirements – reducing the costs of setting up, such as accountancy costs • More capital can be invested – as **three** partners investing their own money into the business • More owners to share responsibilities with and discuss business decisions – each partner can specialise in different aspects of the business, such as **one brother has experience of financial management** – more efficient as each partner uses their expertise • More new ideas as there are **three** partners – so may make better decisions • Complete privacy – they do not have to share any financial details with anyone else outside the business – as has been the case for the **last 4 years** - apart from the tax office, as they will still have to pay tax • All **three owners** are motivated to work hard as it is their business and no one else benefits from their efforts	• Unlimited liability / no limited liability – which means all their personal possessions are at risk – not just the money they invested in the business • No continuity as the business and the owners do not have a separate legal identity – if one of the partners leaves, because the partners are 'the business' it will end • Partners may disagree on business decisions, and this may make decision-making slower • If one of the partners doesn't work hard or is dishonest then the other **two partners** will also have responsibility for their actions

1(b)

	Advantages	Disadvantages
Private limited company	• The **three** brothers and the business have a separate legal identity – company can be sued instead of the owners • The business can sell shares to family and friends to raise more capital for the **boat business** – larger amounts of capital may be raised than if a partnership • Limited liability – will not lose personal possessions if business fails • Cannot be taken over without the consent of the shareholders	• Accounts for the **boat manufacturer** are not private – competitors may access the accounts • Not easy to transfer shares so may make it more difficult for the business to sell shares to family and friends • Legal formalities to operate the company – needs to have accounts audited and registered with the government takes time and increases costs for ES • Legal formalities setting up the company – have to complete paperwork to register the company which takes time and money - may take more time for ES than setting up as a partnership
Recommendation	Justification might include: • The business should be set up as a partnership because the brothers will have complete control of which **boats** to produce and will be able to keep all the profit from their hard work without having to share it if they had other shareholders. They should not become a private limited company as this would mean that competitors may be able to see some of their accounts and they could not keep the financial data private. They will also have to pay to have the accounts audited each year which will increase costs. • The business should be set up as a private limited company because the **three** brothers will have the protection of limited liability which means if ES goes bankrupt, they will not lose their personal possessions only the money they invested in the business at the start.	

2(a)	**Define 'inflation'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. An **increase** in the general price level of goods and services over time [2] Partial definition e.g. an increase in the price of goods/services [1]
2(b)	**Identify <u>two</u> characteristics of a successful entrepreneur.** Award 1 mark per characteristic (max 2). Points might include: • Risk-taker • Creative • Hard-working • Innovative • Effective communicator • Optimistic • (Self) confident • Independent • (Self) motivated / focused / determined / committed • Resourceful/adaptable • Leadership • Resilience / determination / patience • Initiative Other appropriate responses should be credited.

2(c)	**Outline <u>two</u> ways a business plan might help Ramon.** Award 1 mark for each relevant way (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Get a bank loan / finance / attract investors [k] if decides not to use crowdfunding [app] • Set targets / objectives / future planning [k] for his tutoring business [app] • Understand / reduce possible risks / threats [k] for him as an entrepreneur [app] • Acts as a checklist / way to track progress / compare against goals [k] of his start-up / new business [app] • Helps decision-making [k] • Helps organise resources / labour requirements / marketing strategy [k] Other appropriate responses should be credited.

2(d)	**Explain <u>one</u> advantage and <u>one</u> disadvantage to Ramon of buying a franchise.** 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: • Easier/quicker to build a customer base [k] which can help gain sales/revenue [an] for his tutoring service [app] • Training/advice offered by franchisor [k] which saves costs [an] which is important for a start-up / new business [app] • Franchisor pays for advertising [k] which will reduce his cash outflows [an] calculated in his business plan [app] • Banks may be more willing to lend finance to a franchisee [k] so may not need to use crowdfunding [app] • Sell under established / successful brand name [k] so easier to attract customers / can help reduce risk of failure [an] Disadvantages: • Cost (to buy franchise) [k] which he may not be able to afford [an] at a time when inflation is increasing [app] • Do not have total control / less independence [k] which may be why he became an entrepreneur [app] • Unable to make decisions that suit local area [k] • Must pay royalties / franchise fee / percentage of revenue / profit [k] which could reduce profit margin / increase costs [an] Other appropriate responses should be credited.

2(e)	**Do you think crowdfunding is the best source of finance for a start-up business to use? 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 crowdfunding is the best source of finance for a start-up business. Points might include: • No initial fee is payable [k] so does not increase cash outflows [an] • Allows for the public reaction to be tested / help advertise [k] which could lead to more customers [an] • Proposal may be rejected [k] using time which could have been used for other purposes [an] • May allow competitors the opportunity to learn more about your business before launch [k] which could lead to fewer sales / less revenue [an] • No guarantee can raise full amount / not raise enough funds [k] so may have to find another source [an] Other sources might include: • Own savings [k] as there is no need to repay [an] but may not have sufficient funds [an] • (Bank) loan [k] so more likely to raise full amount needed (quickly) [an] but will need to pay interest [an] Other appropriate responses should be credited. Justification might include: An advantage of crowdfunding is no initial fee is payable [k], so it does not increase cash outflows [an]. An alternative is a bank loan [k] which could raise the full amount needed [an]. Crowdfunding is the best source because a new business is risky so the bank may not lend to them anyway [eval] and even if it did, it may not be able to afford the repayments [eval].