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.

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].

2(a)	**Define 'cash flow forecast'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. • Estimate of future cash inflows and outflows of a business (usually on a month-by-month basis) [2]. Partial definition e.g. • Shows the cash inflows and outflows of a business [1].
2(b)	**Identify <u>two</u> reasons why cash is important for a business**. Award 1 mark per reason (max 2). Points might include: Examples of day-to-day costs/expenses include: • Pay employees/wages/salary • Pay suppliers/trade payables / raw materials / inventory • Pay rent • Pay insurance • Pay utilities e.g. heating/lighting/water/power • Pay advertising • Pay interest (on loans) / repay loan Other answers include: • For use in an emergency / to pay unexpected costs • Ensure survival / business may be forced to close if cannot pay its debts Other appropriate responses should be credited.

2(c)	**Identify <u>four</u> functions of management.** Award 1 mark per function (max 2). Four from: • Control • Coordinate • Plan • Organise • Command
2(d)	**Explain <u>two</u> ways OTK could overcome a short-term cash flow problem.** 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: • Overdraft [k] as this would allow the business to spend more than it has in its current account [an] for this jewellery business [app] • Ask suppliers for longer to pay [k] which would delay/decrease cash outflows [an] for more than 30 days [app] • Short-term bank loan [k] for the shop [app] increasing cash inflows quickly [an] • Delay purchase of non-current assets [k] keeping more cash in the business [an] • Sell (non-current) assets [k] generates cash inflows [an] • Ask customers to pay sooner / offer discounts to customers <u>to pay more quickly</u> [k] Other appropriate responses should be credited.

2(e)	**Explain two threats to a business of using ecommerce. Which threat 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 threat is likely to be most important to a business. Points might include: • Increased/more competition [k] so may have to set lower prices (to compete) / may have to spend more on advertising/promotion [an] • Need to design/build website [k] which increases costs [an] • Time/cost for maintenance/updating of the website [k] so may need to employ someone to do this [an] • No face-to-face contact with customer / suppliers / lack of personal service [k] so difficult to gain feedback [an] AND/OR may be difficult to build customer loyalty / supplier relationships / [an] • Need to deliver the products to customers [k] increasing transport/postage costs [an] leading to lower profit margin [an] • Technical problems/no power [k] so may lose potential sales [an] • Security threats / risk of hacking / computer viruses / data theft/fraud / scams [k] which could damage its reputation [an] AND/OR reduce customer loyalty [an] • Risk of bad reviews [k] lowering sales AND/OR revenue [an] • High level of returns [k] Other appropriate responses should be credited. Justification might include: One threat is an increase in competition [k] so may have to set lower prices (to compete) [an]. Another threat is technical problems [k] so the business may lose potential sales [an]. Technical problems are likely to be the most important threat because if customers cannot access the website setting a lower price may be ineffective [eval] so gaining any revenue could be difficult to achieve. [eval].

4(a)	**Explain <u>one</u> way each of the following ES stakeholder groups might find the financial information in Appendix 3 useful.** • **Owners** • **Employees** • **Suppliers** • **Bank** Award 1 mark for each way the financial information may be useful to the stakeholder group (max 4). Award a maximum of 1 additional mark for **each** explanation of the way the stakeholder group might find the information useful **which must be in context**. Relevant ways might include: Owners • To be reassured that they would be likely to receive a share of the profit – as ES made a \$100 000 profit last year • To measure the success of the business against previous years • To see the liquidity of the business and if they need to make any changes Employees • To see if they can ask for a wage increase - from last years' 50% increase in revenue • To see how secure their job is Suppliers • They will want to see if ES will have enough liquidity to pay for the materials – has a safe current ratio of 2 • To decide whether to allow trade credit for ES Bank • To see if the business would be able to pay back a loan - if ES has enough liquidity with an acid test ratio of 0.5 to reassure the bank • To see whether it should offer an overdraft facility if ES needs one For example: To see how much profit is likely to be paid to them (1) out of the \$100000 profit from last year (app). **Application** might include: boats; 20 years' experience; started own business 4 years ago; sole trader; sailing; 12 skilled employees; 2 brothers; 4 new employees; high quality; well-established brand; voted 3rd best in the country; expand by selling in other countries; promotion in sailing magazines; information from Appendix 2 or Appendix 3.

<table>
<tr><td>4(b)</td><td>

Consider the opportunities and threats of globalisation for ES. Are the threats likely to be greater than the opportunities for ES? Justify your answer.

Level	Description	Marks
3	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of **both** opportunities and threats. Well-justified conclusion. Candidates discussing both opportunities and threats in detail, in context and with a well-justified conclusion, including why the alternative 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 either opportunities **or** threats. Judgement with some justification / some evaluation of choice made. Candidates discussing opportunities and/or threats 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 opportunities and threats with little/no explanation. Simple judgement with limited justification / limited evaluation of choice made. Candidates outlining both the opportunities and threats in context should be rewarded with the top marks in the band.	1–4
0	No creditable response.	0

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<tr><td>4(b)</td><td>Relevant points might include:
<table>
<tr><td>Opportunities</td><td>

Can increase the number of markets ES operates in as Tim wants to start selling to customers in other countries - as now easier to communicate with buyers in other countries using social media - increases sales and revenue
Easier to export to other countries where tariffs and quotas have been removed – making ES boats more competitive with boat manufacturers in other countries
Easier to import products, such as component parts for boats, into country X – as likely to be no trade restrictions between countries - and may lead to lower unit costs – ES may become more competitive in country X and in other countries
May become cheaper to produce boats in another country in the future – where costs, such as labour, are lower than country X
Spreads risk
Economies of scale
Access to resources that it might not have otherwise
Access to new technologies

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<tr><td>Threats</td><td>

Increasing imports of competitors' boats into the home market from multinational companies – increases competition– sales from businesses based in other countries may reduce market share in country X
Lack of knowledge of new markets, competition and local tastes – may make it more difficult to successfully export into global markets
Increased investment from multinational companies in country X's market - setting up factories making boats for the domestic market – may also lead to increased competition in country X
Employees may leave to go and work for the multinational companies setting up in the home market – increased wages and more opportunities may be attractive – higher labour turnover for ES - increased costs of recruitment and training for ES
Supply chain problems e.g. transport problems
Exchange rate fluctuations
Differences in legal controls e.g. labour laws, consumer laws

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4(b)	Conclusion	Justification might include: • As ES will be new to selling to other countries, then it may find it difficult to compete with multinational businesses. Hence the threats from multinational businesses may be greater than the opportunities to sell boats in other countries for ES to increase revenue. This could lead to lower market share for ES overall and it may no longer be **voted number 3 for being the best boat builder** in country X. • There are more opportunities for ES from globalisation as it may benefit from lower unit costs for its **boats** if it uses cheaper imported components as there are now no tariffs, making it more competitive than many other businesses both in the home country and in markets in other countries as prices can be reduced. Therefore, the opportunities to expand and increase revenue are greater than the threats of increased competition.