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| 3(a) | <p><b>Identify <u>X</u> and <u>Y</u>.</b></p> <p>Award 1 mark for each correct answer.</p> <p><b>X:</b> Break-even (point)</p> <p><b>Y:</b> (Total) revenue</p>                                                                                                                                                                                                                                                                                                                                                                                                      |
| 3(b) | <p><b>Define ‘margin of safety’.</b></p> <p>Award 2 marks for a full definition. Award 1 mark for a partial definition.</p> <ul style="list-style-type: none"> <li>• The difference between the <u>current level</u> of output/sales and break-even output/sales [2]</li> <li>• The amount by which <u>sales</u> exceed the break-even point [2]</li> </ul> <p>Partial definition e.g.</p> <ul style="list-style-type: none"> <li>• Difference between total output and break-even point [1]</li> <li>• Number of units that exceed break-even output [1]</li> </ul> |

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| 3(c) | <p><b>Outline <u>two</u> advantages of Vicki delegating tasks to her employees.</b></p> <p>Award 1 mark for each relevant advantage (max 2).<br/>Award 1 mark for each relevant reference to this business (max 2).</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Motivate employees [k] helping increase sales above 900 units [app]</li> <li>• Develop employee skills / increase flexibility of workforce [k] when making burgers [app]</li> <li>• Builds trust between the owner and her employees / better working relations [k]</li> <li>• The owner cannot do all tasks alone / reduces her workload / she has time to focus on other tasks [k] such as completing the break-even chart [app]</li> <li>• Quality of the owner's work is often improved / she is less likely to make mistakes [k] at the restaurant [app]</li> <li>• She can measure performance/success of employees [k]</li> </ul> <p>Other appropriate responses should be credited.</p> |
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3(d)

**Explain two possible effects of an economic recession on Vicki's business.**

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:

- Lower/fewer sales [k] leading to lower revenue [an] from selling burgers [app]
- May need to lower costs [k] as revenue is likely to be falling [an] for the restaurant [app]
- More workers available to select from [k] so may be able to lower labour costs [an] of the 14 employees [app]
- Workers may be made redundant / reduce workforce / downsize [k] which could demotivate other workers [an]
- Low business confidence [k] so less willing/likely to invest [an]
- The business may fail / hard to survive [k] so may lose their investment [an]
- May have cash flow problems [k] so cannot pay day-to-day costs [an]
- May have to lower prices [k]
- May delay any expansion plans [k]
- Banks may not be willing to lend [k]
- May change objective to survival [k]
- Lower profit [k] so less funds to invest [an]

Other appropriate responses should be credited.

3(e)

**Explain two methods of training a business might use. Which is likely to be the best method for a service 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 which is likely to be the best method for a service business to use.

Points might include:

On-the-job training [k]

- Being trained in the workplace [an]
- Watching a more experienced worker doing the job [an]
- Allows business specific training to be given [an]
- Low(er) cost [an]
- Some work completed during training [an]
- May learn bad habits from trainer [an]
- Trainer may not be as productive as usual [an]

Off-the-job training [k]

- Being trained away from the workplace [an]
- Allows employees to be trained by experts [an]
- New/up-to-date skills/knowledge can be taught [an]
- High(er) cost [an]
- Wages paid but no work is being done [an]
- Induction training [k]
- Can help new employees understand / familiarise with the work/workplace/job role [an]
- New workers settle into their job quickly [an]
- Delays when start work [an]

Other appropriate responses should be credited.

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| 3(e) | <p>Justification might include:<br/>On-the-job training [k] is where trainees watch a more experienced worker [an]. Alternatively, off-the-job training [k] will teach up to date skills [an]. Off-the-job training is the best method as the business is more likely to improve productivity by learning the ideas [eval] whereas on-the-job training may lead to employees picking up bad habits so would have limited value [eval].</p> |
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| 4(a) | <p><b>Define ‘brand image’.</b></p> <p>Award 2 marks for a full definition. Award 1 mark for a partial definition.</p> <ul style="list-style-type: none"> <li>• The image or identity given to a product/business which distinguishes it from its competitors brand [2]</li> <li>• Characteristics that distinguish a business from others through design or logo [2]</li> <li>• The general impression of a product/business held by consumers [2]</li> <li>• Personality given to a product/business through marketing activities [2]</li> </ul> <p>Partial definition e.g.</p> <ul style="list-style-type: none"> <li>• Identity given to a product/business [1]</li> <li>• How product/business is seen by others [1]</li> <li>• Characteristics that make a <u>business</u> unique [1]</li> </ul> |
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| 4(b) | <p><b>Identify <u>two</u> reasons why some markets have become more competitive.</b></p> <p>Award 1 mark for each relevant reason (max 2).</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Globalisation/growth of free trade agreements</li> <li>• Changes in technology or examples e.g. ecommerce/internet/social media</li> <li>• Changes in legal controls / more or fewer regulations / government intervention in the market</li> <li>• Transport improvements/infrastructure improvements</li> </ul> <p>Other appropriate responses should be credited.</p> |
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| 4(c) | <p><b>Outline <u>one</u> way MTL could act ethically with each of the following stakeholder groups:</b></p> <p><b>Employees</b><br/><b>Customers</b></p> <p>Award 1 mark for each relevant way (max 2).<br/>Award 1 mark for each relevant reference to this business (max 2).</p> <p>Points might include:</p> <p>Employees:</p> <ul style="list-style-type: none"> <li>• Pay fair/good wages [k] to its 430 employees [app]</li> <li>• Ensure fair/good working conditions [k] when making the toys [app]</li> <li>• Not employ child labour [k]</li> <li>• Not use zero hours contracts [k]</li> </ul> <p>Customers:</p> <ul style="list-style-type: none"> <li>• Charge a fair price [k] which can help maintain its good brand image [app]</li> <li>• Not advertise misleading prices [k] when operating in a competitive market [app]</li> </ul> <p>Other appropriate responses should be credited.</p> |
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| 4(d) | <p><b>Explain <u>two</u> problems MTL might have when entering a new market in another country.</b></p> <p>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).</p> <p>Points might include:</p> <ul style="list-style-type: none"> <li>• Lack of market knowledge [k] so may not be aware of competitors' pricing/promotion [an] for toys [app]</li> <li>• Language differences [k] so it may have to translate/change wording on the packaging [an] to explain how it is ethical [app]</li> <li>• Cultural differences [k] so product may not sell there [an] which could damage its brand image [app]</li> <li>• Changes in exchange rates [k] may make it difficult to set prices [an] for this large business [app]</li> <li>• Different legal controls [k] which could restrict what/how they can sell [an]</li> <li>• Import restrictions or examples such as quotas [k] which could restrict the number of products they can import [an]</li> <li>• Economic differences e.g. average income, stage in business cycle [k]</li> <li>• Social differences e.g. age structure [k]</li> <li>• Increased transport costs [k] as products may have to be transported over long distances [an]</li> <li>• Level of competition [k]</li> <li>• Lack of recognition of the business [k]</li> <li>• High taxes [k]</li> <li>• Difficulty in locating suppliers [k]</li> </ul> |
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| 4(d) | <ul style="list-style-type: none"> <li>Increased risk of non-payment/incorrect payment [k] as methods of payment are likely to be different between each country [an]</li> </ul> <p>Other appropriate responses should be credited.</p> |
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| 4(e) | <p>Points might include:</p> <ul style="list-style-type: none"> <li>Television [k] is expensive/can include moving images to attract attention [an]</li> <li>Magazines [k] as able to target specific types of customers [an]</li> <li>Discount offers/promotional pricing/ (money off) coupons/loyalty card [k] which can make the products more affordable [an]</li> <li>Social media/internet-based advertising/influencers [k] to reach large numbers of people [an]</li> <li>Leaflets [k] as this is a low-cost method [an]</li> <li>Posters/billboards [k] as can be seen by everyone who is passing by [an]</li> <li>Point of sale displays/demonstrations [k] as this allows the customer to be shown how it is used [an]</li> <li>Radio advertising [k] which allows them to target specific regions [an]</li> <li>Newspapers [k]</li> <li>Gifts [k]</li> <li>Sponsorship [k]</li> <li>Competitions [k] encourage customer to buy to receive a reward/win [an]</li> <li>Free samples [k] increase costs [an]</li> <li>BOGOF [k]</li> <li>After-sales service [k]</li> </ul> <p>Other appropriate responses should be credited.</p> <p>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].</p> |
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