

GCE A LEVEL

WJEC Eduqas GCE A LEVEL in
BUSINESS

ACCREDITED BY OFQUAL

**SPECIMEN ASSESSMENT
MATERIALS**

Teaching from 2015

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Candidate Name	Centre Number					Candidate Number				



A LEVEL BUSINESS

COMPONENT 1

Business Opportunities and Functions

SPECIMEN PAPER

2 hours 15 minutes



ADDITIONAL MATERIALS

In addition to this examination paper, you will need a calculator.

INSTRUCTIONS TO CANDIDATES

Answer all the questions in the spaces provided.

Use black ink or black ball-point pen.

Do not use pencil or gel pen.

Do not use correction fluid.

Write your name, centre number and candidate number in the spaces at the top of this page.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part-question.

You are reminded of the need for good English and orderly, clear presentation in your answers.

No certificate will be awarded to a candidate detected in any unfair practice during the examination.

Answer **all** the questions in the spaces provided.

SECTION A

1. Outline three different ways in which a business that publishes magazines might segment its market. [6]

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2. What is meant by the term added value? Illustrate how the production process can add value, using the example of a furniture business that makes wooden tables. [3]

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3. Emily Miller has started her own business making picture frames. Her fixed costs are £12 000 a year and her variable costs are £4 per frame. Last year she sold 2 500 frames at £10 each.

(a) State the difference between fixed and variable costs. [2]

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(b) Calculate the contribution per frame. [2]

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(c) Calculate Emily's break-even output. [2]

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(d) Calculate her profit for last year. [2]

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Emily expects her fixed costs to increase by 10% this year and her variable costs to increase by 5%. She expects to sell the same number of frames and does not intend to increase her prices.

- (e) Calculate her profit for this year. [3]

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4. Rachel Edwards is a sole trader. She founded her business making speciality cakes three years ago. Rachel now wishes to expand her business and she needs to raise additional finance. She has made an appointment with her bank manager in an attempt to ask for an increased overdraft facility which is currently £200. In addition, she has also approached her friend Jo, a successful local businesswoman, to invest £20 000 into the business to allow her to expand her production.

Explain the advantages and disadvantages of both the increased overdraft facility and Jo's £20 000 investment to Rachel's business. [6]

[illegible]

SECTION B

5. Homework, tea, then my business calls

James Gilmore is a 16 year old schoolboy who has his own radio station, Wizard Radio. This is an internet station launched from his bedroom in his parent's house in 2010. It began as a one-off broadcast with a friend. Today James has 50 voluntary staff working for him, five Wizard offshoots, including an events agency and a record label, and listeners in the US, Britain and Hungary.

James is one of a growing number of entrepreneur pupils now balancing their studies with commercial enterprises. "It's difficult, it's like I have a school working day and then another job. I get home, have some food, and then from 4.45pm I work on the show".

James is reinvesting any profits in the company, which is registered in his father's name. "I'm going to finish my A levels and then I hope to do broadcasting professionally. Right now I have nothing to lose apart from time. I'm not financially supporting myself, so I can throw myself at it. That's what's great about setting up a business when you're young, you can go through hard times and not fall down".

Source: Adapted from the Sunday Times 9 February 2014

To what extent could it be argued that James Gilmore has the characteristics of a typical entrepreneur? [8]

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6. Paddy Crerar is the Chief Executive of Crerar Hotels Ltd which employs 500 people in the UK. In answer to the question “how do you get the best out of your staff?” he replied “my personal style is approachable and very honest. I tell people what I think and that honesty is welcomed. We fight a lot but conflict is great, conflict is healthy”.

Mr Crerar is known as a hands-on leader and he says that no matter how large the company gets he will resist having a human resources department. “The business is about people. If we have a human resources department then we are putting a barrier between ourselves and the people”. His staff talk to him directly about any concerns they might have.

The best piece of management advice Mr Crerar has ever received was from Tom Farmer, the founder of Kwik Fit, who said: “Never employ anyone you don’t like”. Mr Crerar further explained: “If you like them then you can work round any shortcomings”.

Source: Adapted from the Times 24 February 2014

- (a) Describe two functions that would normally be performed by a human resources department. [4]

This image shows a full page of white paper with ten horizontal dashed lines, typical of primary school handwriting practice paper. The lines are evenly spaced and extend across the entire width of the page. There is no text or other markings on the paper.

- (b) Discuss the methods that Mr Crerar might use to motivate his hotel employees. [12]

This image shows a full page of primary-ruled paper. It features approximately 20 horizontal dotted lines spaced evenly down the page, providing a guide for handwriting practice. The background is white, and there are no margins or other markings present.

7. Shake-up at Sony removes the focus from televisions

Sony is one of the leading manufacturers of consumer electronic products. These products include televisions, cameras, audio equipment, computers, mobile phones and gaming consoles.

Television manufacturing is being cut back severely by Sony in favour of making more mobile phones, video games consoles and digital cameras. Kazuo Hirai, Sony's Chief Executive, said that the loss-making electronics group "can't be losing money left, right and centre" and emphasised the need to slash costs. Sony will continue to make televisions, but will reduce its investment in the sector dramatically.

Traditionally, televisions have been regarded as a cash cow for Sony, but Mr Hirai has questioned this. "Can televisions still be the core business for an electronics company? That, I think, is a challenge". He added that in the future the vast majority of investment would go to the digital imaging, mobile and games divisions.

Sony's decline is attributed by analysts to its inability to create any new hit products and being out-thought by rivals including Apple and Samsung.

Source: Adapted from the Times 21 January 2013

- (a) What is meant by the term cash cow? Explain the importance of having cash cows as part of a product portfolio. [6]

This image shows a full page of white paper with horizontal dashed lines, typical of primary school handwriting practice paper. The lines are evenly spaced and run across the entire width of the page. There are no margins, text, or other markings present.

- (b) Consider the view that, for consumer electronics companies such as Sony, Apple and Samsung, having the correct product portfolio is the most important part of the marketing mix. [12]

[illegible]

8. Relax Dad, R2-D2 will do the bins

Sir James Dyson, one of the country's most successful entrepreneurs, has taken on his biggest challenge yet: to create affordable house robots that will revolutionise domestic chores.

He believes that robots will soon be able to cope with almost every household task, from cleaning to putting out the bins and spotting intruders. He wants to create “a new generation of robots that understand the world around them”.

“Almost anything where you need a human to do it, you could replace that with a robot.

Sir James says his domestic robots will face fierce competition from Japan and America. Some economists have warned that the creation of more advanced robots will mean the loss of millions of jobs for humans. But Sir James believes we should not be alarmed. “The more technology you have, the more people you need to run the technology and design it. I think it will have a reverse effect. It will create jobs and make jobs more complex and more interesting”, he said.

Source: Adapted from the Sunday Times 9 February 2014

To what extent do you agree with the view that all stakeholders will benefit from the sort of new technology that Sir James Dyson's company is developing. [12]

This image shows a full page of white paper with horizontal dashed lines, typical of primary school handwriting practice paper. The lines are evenly spaced and run across the entire width of the page. There are no margins, text, or other markings present.

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Candidate Name	Centre Number					Candidate Number				



A LEVEL BUSINESS

COMPONENT 2

Business Analysis and Strategy

SPECIMEN PAPER

2 hours 15 minutes



ADDITIONAL MATERIALS

In addition to this examination paper, you will need a calculator.

INSTRUCTIONS TO CANDIDATES

Answer all the questions in the spaces provided.

Use black ink or black ball-point pen.

Do not use pencil or gel pen.

Do not use correction fluid.

Write your name, centre number and candidate number in the spaces at the top of this page.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part-question.

You are reminded of the need for good English and orderly, clear presentation in your answers.

No certificate will be awarded to a candidate detected in any unfair practice during the examination.

Answer **all** the questions in the spaces provided.

1. Flavors Ltd makes fruit-flavoured drinks. Each year Mark Hoskins, the company accountant, constructs a budget. Details of part of last year's budget are given in the table below as well as the figures for the actual outcomes.

	Budgeted	Actual	Variance
Sales Revenue	£240 000	£265 000	(i)
Cost of Sales	£98 000	£72 000	(ii)

Calculate the values of the variances stating whether the variances are adverse or favourable and in each case explain one possible reason for the variance. [6]

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(ii)

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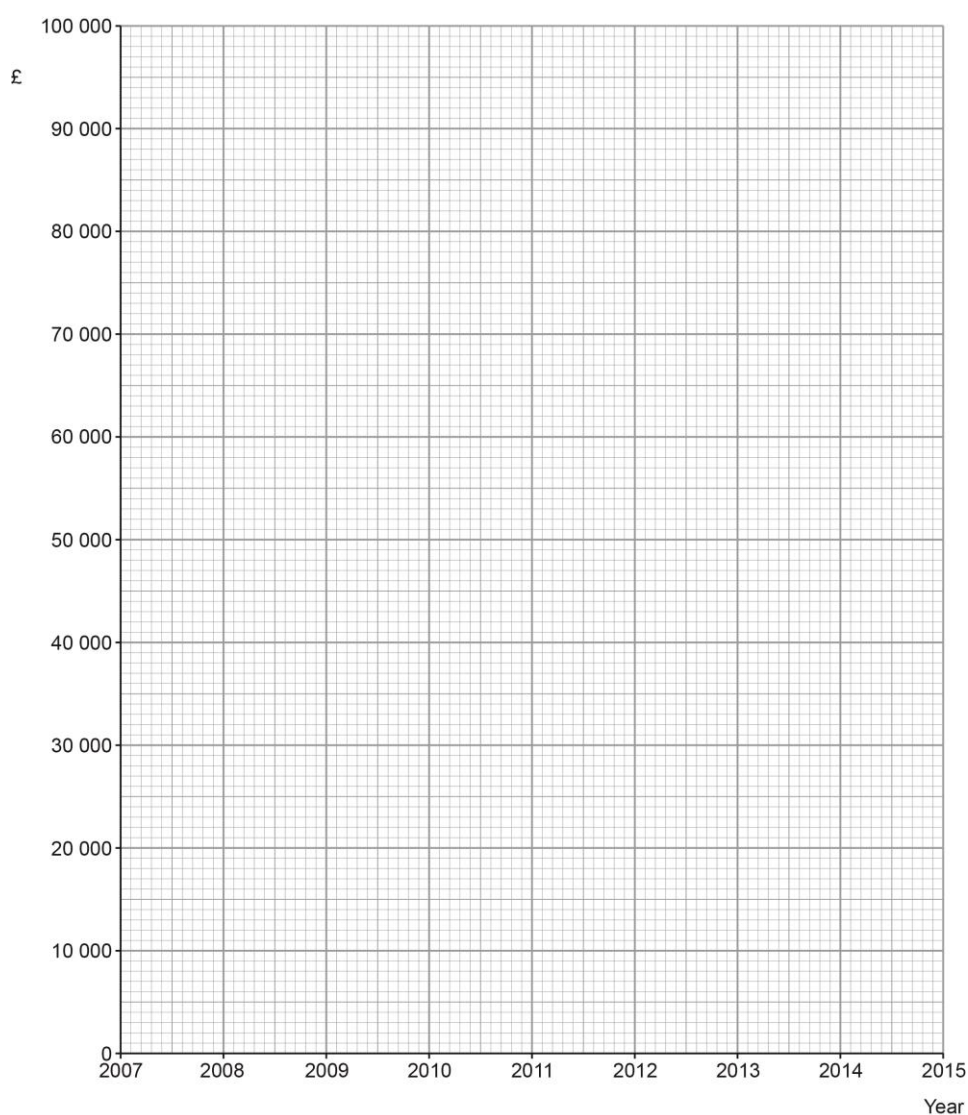
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2. Top Dog Ltd manufactures garments for dogs.

The company's sales revenue for the last eight years is given in the table below.

Year	2007	2008	2009	2010	2011	2012	2013	2014
Sales revenue	£48 000	£52 000	£50 000	£57 000	£64 000	£65 000	£72 000	£73 000

- (a) Calculate a three-year moving average of the company's sales revenue, writing your answers in the spaces in the table above. [3]
- (b) Plot your results on the graph below and draw in a line of best fit. [2]



- (c) Use the line of best fit to predict the sales revenue for 2015. [1]

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(d) Assess the usefulness of this prediction to the company.

[6]

[illegible]

3. C.G. Harris Ltd makes components for the car industry. This year (2015) the company made a gross profit of £86 240 on sales of £720 000; its expenses were £74 120. The company's balance sheet recorded a bank loan of £140 000 and shareholders' capital of £60 000.

For the previous year (2014) Jack Lloyd, the company accountant, worked out the following four financial ratios:

Gross profit margin = 15.6% (on sales of £700 000)

Net profit margin = 4.2%

Return on capital employed (ROCE) = 9.4%

Gearing = 50%

Using ratio analysis, calculate the four financial ratios for 2015. Analyse and evaluate the financial performance of the business over these two years. [14]

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4. Jane Lancaster is the Managing Director of JHL (Printing) Ltd which specialises in printing educational books. At the moment she is considering purchasing a new printing press that would cost the business £70 000 and a new binding machine that would cost £34 000. The printing press would replace the jobs of two operatives but the new binding machine would not cause any job losses; however, the person who operates it would require training.

The existing printing presses produce work of high quality and are fairly reliable but the existing binding machine sometimes misses stitches and is prone to break down.

The following table represents the return that Jane expects the new machines to bring to the business over the next five years.

	Printing Press Net Cash Flow	Binding Machine Net Cash Flow
Year 1	£15 000	£11 000
Year 2	£20 000	£14 000
Year 3	£30 000	£18 000
Year 4	£30 000	£22 000
Year 5	£45 000	£20 000

In order to calculate the return on her investments Jane uses a discount rate of 5% as shown in the table below.

Year	Discount rate of 5%
1	0.95
2	0.90
3	0.86
4	0.82
5	0.78

- (i) Calculate the payback period for both machines in years and months. [2]

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(ii) Calculate the Average Rate of Return (ARR) for both machines. [4]

[illegible]

(iii) Calculate the Net Present Value (NPV) for both machines. [6]

This image shows a full page of white paper with horizontal dashed lines, typical of primary school handwriting practice paper. The lines are evenly spaced and run across the entire width of the page. There are no margins, text, or other markings present.

- (iv) On the basis of your calculations advise Jane as to which machine to buy. [4]

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- (v) Analyse the qualitative factors that Jane should take into account before making her final decision. [8]

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5. It is no exaggeration to say that if you were to go into any house in Britain you would find products produced by Unilever plc. But it's not just in Britain that the company's brands are sold. On any given day 2 billion consumers worldwide use a Unilever product. Unilever has over 14 products with annual sales of over €1 billion including Magnum ice cream. The company's brands include the following:

Bovril, Bertolli, Radox, Stork, Peperami, I can't believe it's not Butter!, Carte D'Or, Dove, Domestos, Lipton, Wall's, Pot Noodle, BRUT, Cif, Sure, Simple, Comfort, Viennetta, Cornetto, SlimFast, Pond's, Colman's, Persil, VO5, Maille, Impulse, Ben & Jerry's, Vaseline, Flora, TRESemme, Lynx, Marmite, Timotei, Brylcreem, Elmlea, PG Tips, Hellmann's, Lyons, Knorr and Surf.

Unilever plc employs over 173 000 people and operates in 190 countries. Its annual sales in 2012 totalled over £40 billion. The table below shows where the sales took place and the sales growth in each market.

Market	Turnover	Sales Growth
Europe	£11 bn	0.8%
The Americas	£14 bn	7.9%
The rest of the world	£16 bn	10.6%

Unilever plc's vision or purpose is to make sustainable living commonplace. It says:

"We work to create a better future every day, with brands and services that help people feel good, look good and get more out of life."

Our first priority is to our consumers – then customers, employees, suppliers and communities. When we fulfil our responsibilities to them, we believe that our shareholders will be rewarded”.

Source: www.unilever.co.uk

- (a) Explain why brands are essential to the success of Unilever plc. [6]

[illegible]

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- (b) What is the Ansoff matrix and how might it be useful to Unilever plc in achieving sales growth? [8]

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(c) Evaluate Unilever's vision from the point of view of its various stakeholders.

[10]

This image shows a full page of white paper with horizontal dotted lines, typical of primary school writing paper. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



A LEVEL BUSINESS

COMPONENT 3

Business in a Changing World

SPECIMEN PAPER

2 hours 15 minutes



ADDITIONAL MATERIALS

In addition to this examination paper, you will need a 20 page answer book.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.
Do not use pencil or gel pen.
Do not use correction fluid.

Answer **all** questions in Section A.
Answer **one** question from Section B.

You are advised to spend no more than: 80 minutes on Section A.
 55 minutes on Section B.

Insert the numbers of questions you have answered on the front of your answer book.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part-question.

You are reminded of the need for good English and orderly, clear presentation in your answers.

No certificate will be awarded to a candidate detected in any unfair practice during the examination.

SECTION A

Answer **all** the questions in this section.

1. Read the information below and answer the questions that follow.

United Biscuits

United Biscuits is a private limited company that was originally founded in 1948. Its most famous brands include McVitie's Digestives, Rich Tea, Jaffa Cakes and it has a host of other world-renowned biscuit brands.

- 5 According to the company website the United Biscuits strategy is to drive long-term sustainability in the business. Sustainable performance includes delivering consistently on their promise to consumers, serving their customers and developing and engaging actively with their employees. Sustainable performance for United Biscuits covers three key areas:
- 10
- **Financial:** Delivering superior financial returns every year.
 - **Environmental:** Minimising their impact on the environment.
 - **Community:** Engaging with their consumers, employees and local communities to improve and promote health and wellbeing, education, skills development and the support of charities.
- 15 The 2013 Annual Report stated that the company's fundamental business purpose is to provide simple and wholesome pleasures for their consumers. Their ambition is to build on the heritage and core strengths of the business and compete as a world-class biscuit business that challenges the dominance of the US multi-national biscuit manufacturers. United Biscuits believe its impressive
- 20 portfolio of brands and its reputation for product quality create huge potential for growth. United Biscuits intends to achieve these objectives by modernising the business and attempting to adopt the standards and practices currently used by the leaders in their market.
- 25 At the end of 2013, United Biscuits restructured their European head office creating a streamlined and focused organisation, with fewer layers of management. In addition, they substantially reduced their overheads.
- The following passage is adapted from an article in the Times newspaper 19 January 2014:
- 30 Martin Glenn is the new Chief Executive of United Biscuits, he has been in the job for just nine months.
- On a tour of the McVitie's London factory, Mr Glenn was keen to point out evidence of the changes made since he joined the company, and plans for new products and international expansion. "The company has been resting on its laurels, we want the employees to be risk-takers", he said. He explained that he
- 35 was excited about the new flow production technology at the factory, installed as part of a £35m investment plan.
- Chocolate digestives whizzed round on the gleaming new machinery. In the blink of an eye, batches of 20 biscuits were scooped up by a robotic arm and encased in a crisp foil wrapper, ensuring they remain fresh for longer. "We're aiming for
- 40 efficiency and quality", Mr Glenn added.

The company's rich history and famous British brands are likely to be of huge interest to an overseas investor looking to invest in the biscuit industry. In 2010, China's Bright Food made a failed bid for the company.

45 Despite being the No1 in Britain, United Biscuits needs to be more ambitious and to modernise. "I was wowed by the heritage and the massive brands but frustrated by a sense that it was a company that was coasting", Mr Glenn said. "This is a sleeping giant. It should aim to be more global, like the Coke or Cadbury of the biscuit world. I'm a big fan of benchmarking".

50 United Biscuits produces 100 million biscuits every day from 14 plants, where it employs nearly 6 800 people. At the London factory biscuits are produced in ovens that are 100 metres long and more than half a century old.

55 Mr Glenn said that most of the machinery, though old, functions perfectly well and needs no updating. He has introduced quality circles which have already produced results. One worker invented a plastic scraper to remove excess dough that had been clogging some of the lines.

When United Biscuits was formed, it made nearly 400 types of biscuit. By the 1950s that figure had been slashed to just four, as the company focused on its best brands.

60 The company's most recent accounts suggests it is struggling again — 2012 is described as 'another difficult year' after a tough time in 2010 and 2011. Sales stalled at just over £1bn and operating profits slipped slightly to £130.8m. After paying £95m interest on United Biscuit's £1bn debt, pre-tax profit came to £35.7m.

65 Mr Glenn also provided details of United Biscuit's plan for overseas domination. The company already trades in 100 countries, but it plans to strengthen its position in some key areas such as Saudi Arabia, Nigeria and India. The Chinese market is also a target. The global war on sugary and fatty food should not defeat the strategy. "Everyone eats snacks and if you want a treat then biscuits are much better than chocolate or crisps. Biscuits have a wholesomeness about them", Mr Glenn said.

70 This will mean continuing to adapt some of its top brands to suit foreign tastes and customs. The Chinese and Spanish eat biscuits for breakfast, the Swedes eat sweet biscuits with cheese, and in poorer countries such as Nigeria, biscuits are fortified with iron and other minerals to boost the national diet.

As Mr Glenn pointed out, with a smile: "The world loves a biscuit".

Source: Adapted from the Sunday Times, 19 January 2014

- (a) What is benchmarking (line 47) and how might it be useful for United Biscuits? [4]
- (b) With reference to the data, analyse United Biscuits' strengths and weaknesses. [10]
- (c) Evaluate the importance of Mr Glenn's leadership in bringing about change at United Biscuits. [12]
- (d) Assess the impact of political, economic, social and technological (PEST) factors on United Biscuits. [12]
- (e) Discuss the benefits and difficulties of United Biscuits' plan for overseas domination. [12]

SECTION B

Answer **one** question from this section.

2. Public versus private

- (a) Explain how and why goods and services provided by public sector organisations, such as the National Health Service or the BBC, differ from those of private sector businesses, such as ASDA or Sky TV. [10]
- (b) Discuss the view that, consumers in the United Kingdom would benefit if all goods and services were to be provided by the private sector. [20]

3. UK advertising spend hits record £14 billion

- (a) Explain how a manufacturer of breakfast cereals, such as Kellogg's, might use both above the line and below the line promotion to increase sales. [10]
- (b) Discuss the view that, since advertising represents an attempt to persuade people to buy things that they do not need, it is fundamentally unethical. [20]

4. Location, location, location

- (a) Explain the factors which the owner of a restaurant is likely to take into account when deciding where to locate a new business. [10]
- (b) Discuss the view that, due to changes in technology, for the majority of businesses, location is no longer an important consideration. [20]

COMPONENT 1: Business Opportunities and Functions**MARK SCHEME****GENERAL MARKING GUIDANCE****Positive Marking**

It should be remembered that learners are writing under examination conditions and credit should be given for what the learner writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good response to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for a less than perfect answer if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

For each question there is a list of indicative content which suggests the range of business concepts, theory, issues and arguments which might be included in learners' answers. This is not intended to be exhaustive and learners do not have to include all the indicative content to reach the highest level of the mark scheme.

The level based mark schemes sub-divide the total mark to allocate to individual assessment objectives. These are shown in bands in the mark scheme. For each assessment objective a descriptor will indicate the different skills and qualities at the appropriate level. Learners' responses to questions are assessed against the relevant individual assessment objectives and they may achieve different bands within a single question. A mark will be awarded for each assessment objective targeted in the question and then totalled to give an overall mark for the question.

SECTION A

Q.		Total
1	Outline three different ways in which a business that publishes magazines might segment its market. Award 1 mark for each correct way. AO1 3 marks1ab Indicative content: Age, gender, lifestyle, class, geographic area, income, religion, ethnicity. Accept any other appropriate response. Award 1 mark for each correct example applied to a magazine context. AO2 3 marks 1a Indicative content: e.g. age: Saga magazine is aimed at older people, comics at younger people; lifestyle: health and fitness magazines are aimed at people who want to get fit, etc.	6

Q.		Total
2	What is meant by the term added value? Illustrate how the production process can add value, using the example of a furniture business that makes wooden tables. Award 1 mark for demonstrating understanding of added value. AO1 1 mark 1a Indicative content: Adding value means the difference between the cost of inputs and the value of output. Award up to 2 marks for illustrating the process of adding value in the context of a furniture business. AO2 2 marks 1a 1 mark for basic description. 2 marks for extended description. Indicative content: A business making tables will pay a certain amount of money for the wood and screws, etc., that the tables are made from. By cutting the wood and screwing it together they are adding value and are able to sell the tables for more than the cost of the raw materials.	3
3 (a)	Emily Miller manufactures picture frames. Her fixed costs are £12 000 a year and her variable costs are £4 per frame. Last year she sold 2 500 frames at £10 each. State the difference between fixed and variable costs. Award 1 mark for correct definition of fixed costs. AO1 1 mark 1a Award 1 mark for correct definition of variable costs. AO1 1 mark 1a Indicative content: A fixed cost is a cost that is not related to the quantity of goods produced or sold, such as insurance. It is an overhead. A variable cost is a cost that varies with output, for example raw materials.	2
3 (b)	Calculate the contribution per frame. Award 1 mark for correct formula. AO1 1 mark 1a Contribution = selling price – variable cost (£10 - £4) Award 1 mark for correct answer. AO2 1 mark 1a £6	2

Q.		Total
3 (c)	Calculate Emily's break-even output. Award 1 mark for correct formula. AO1 1 mark 1a Break-even output = fixed costs/contribution (£12 000/£6) Award 1 mark for correct answer. AO2 1 mark 1a 2000 frames or units. Do not accept £2 000.	2
3 (d)	Calculate her profit for last year. Award 1 mark for correct formula. AO1 1 mark 1a Profit = sales revenue – total cost = (2 500 x £10) – (£12 000 + [2 500 x £4]) = £25 000 - £22 000 Or profit = total contribution – fixed costs = (£6 x 2 500) – £12 000 = £15 000 – £12 000 Award 1 mark for correct answer. AO2 1 mark 1a £3 000	2
3 (e)	Emily expects her fixed costs to increase by 10% this year and her variable costs to increase by 5%. She expects to sell the same number of frames and does not intend to increase her prices. Calculate her profit for this year. Award 1 mark for correct method. AO1 1 mark 1a Profit = sales revenue – (fixed costs increase + variable costs increase) Profit = (2 500 x £10) – ([£12 000+£1 200] + [2 500 x £4.20]) = £25 000 – (£13 200 + £10 500) = £25 000 – £23 700 Award 1 mark for entering correct figures AO2 2 marks 1a Award 1 mark for the correct answer. Profit = £1 300	3

4	Explain the advantages and disadvantages of both the increased overdraft facility and Jo's £20 000 investment to Rachel's business. [6]	
Band	AO1 1b	AO3
	2 marks	4 marks
2	2 mark Clear understanding of the advantages and disadvantages of both sources of finance. The key advantages and disadvantages of both sources of finance are identified.	3-4 marks A good analysis of the advantages and disadvantages of both sources of finance. A clear explanation of the impact of both sources of finance on Rachel's business.
1	1 mark Limited understanding of the advantages and disadvantages of both sources of finance. The learner may list the advantages and disadvantages of both sources or identify the advantages and disadvantages for just 1 source of finance.	1-2 marks Limited analysis of the advantages and disadvantages of both sources of finance. Underdeveloped points are made of the impact of both sources of finance on Rachel's business. The analysis may focus on 1 source of finance only or on either the advantages or disadvantages of both.
0	0 marks No understanding of the advantages and disadvantages of both sources of finance.	0 marks No analysis of the advantages and disadvantages of both sources of finance.

Indicative content:

Extending the overdraft facility:

Advantage – will help overcome any short-term cash flow problems which Rachel may encounter to an even greater extent as the business expands with new customers and suppliers.

Disadvantage – there will be a high rate of interest and the facility can be withdrawn by the bank at any time with very little notice. This could result in Rachel not being able to pay bills and order any ingredients to make her cakes.

Jo's investment:

Advantage – Rachel will not have to pay any interest and the money can be injected quickly into her business to help her expand. For example, the purchase of new capital equipment or the expansion of the workforce. Jo may also offer advice as she is already a successful businesswoman.

Disadvantage – Rachel may lose some control of her business if she gives away some of the equity. Jo may wish to contribute to the decision making process. Rachel may not be able to keep all the profits in the future.

SECTION B

5	To what extent could it be argued that James Gilmore has the characteristics of a typical entrepreneur? [8]		
Band	AO1 1ac	AO2 1a	AO4 1c
	2 marks	2 marks	4 marks
2	2 marks Good knowledge and understanding of the key characteristics of an entrepreneur are demonstrated.	2 marks Good application of the characteristics of an entrepreneur to James Gilmore. Information from the data is used in development.	3-4 marks Well-reasoned and balanced judgement on whether James Gilmore is a typical entrepreneur. Clear judgement is made with supporting statements. Lines of evaluation are well-developed. The learner may use examples of other entrepreneurs to qualify their answer.
1	1 mark Identifies some of the key characteristics of an entrepreneur.	1 mark Limited application of the characteristics of an entrepreneur to James Gilmore. The learner response is mainly theoretical with the inclusion of some examples from the data.	1-2 marks Evaluation is limited and likely to be one-sided. Judgements are underdeveloped and lacking depth.
0	0 marks No knowledge of the characteristics of an entrepreneur is demonstrated.	0 marks No reference is made to James Gilmore.	0 marks Irrelevant or no evaluation is given.

Indicative content:

The characteristics of an entrepreneur are having self-confidence and self-determination; being a self-starter; having judgement, commitment and perseverance; showing initiative and being a risk taker.

James is typical in the sense that he organises the business and is a risk-taker. There is also evidence that he has most of the characteristics listed above, e.g., the self-confidence to start and run the business and the commitment to devote so much of his time to it. He is hard-working, having to work in the evenings after school. He has also developed his business to include offshoots, such as the events agency, reinvesting profits.

In other ways James is not typical. Technically, he does not own the business, as it is in his father's name. He does not take an income from it, unlike most entrepreneurs he has nothing to lose as the enterprise is not supporting him financially, his father is. Being at school is not typical, but other successful entrepreneurs, including Richard Branson, started whilst still at school.

Q.		Total
6 (a)	Describe two functions that would normally be performed by a human resources department. Award 1 mark for each function correctly identified. AO1 2 marks 1a Award 1 mark for demonstrating knowledge of the function. AO1 2 marks 1a Indicative content: <u>Workforce planning</u> – making sure that the business has the right number of employees and different types of workers to carry out the business functions efficiently. <u>Recruitment</u> – e.g., advertising jobs in suitable places, such as magazines and job centres to make sure that they employ the best people. Carrying out the interviews. <u>Training and appraisal</u> – to make sure that the employees develop their skills and are used effectively for the business. To make sure customers are treated well and the employees are performing well in their jobs. To allow employees the opportunity to better themselves and receive feedback on their performance. <u>Employee welfare</u> – to make sure that employees are happy and well-motivated so that they work to the best of their ability. <u>Discipline</u> – to make sure that employees carry out their duties properly and take appropriate action when this does not happen. <u>Redundancies</u> – a business may have to reduce staffing levels as they may not be performing well in the market. HR might be asked to recommend which employees could be made redundant.	4

6 (b) Discuss the methods that Mr Crerar might use to motivate his hotel employees. [12]				
Band	AO1 1c	AO2 1c	AO3	AO4 1cd
	2 marks	2 marks	4 marks	4 marks
3			3-4 marks Excellent analysis of how financial and non-financial methods of motivation can impact on employees. The learner offers a clear explanation of how motivation methods will motivate employees. The learner explains how the different methods will help to motivate employees. The learner develops the explanation with supporting analysis from the data. Logical chains of reasoning.	3-4 marks An excellent well-balanced evaluation of different financial and non-financial methods of motivation. The learner fully evaluates the effectiveness of motivational methods. Lines of evaluation are well-developed. Clear judgements are made with supporting statements to build an argument. May offer an overall judgement of the best methods.
2	2 marks Good understanding of methods of financial and/or non-financial motivation is demonstrated. A clear understanding of the features of the methods is included. The learners will include more than 1 method of motivation.	2 marks Good application of methods of financial and/or non-financial motivation to a hotel business. The methods of motivating the employees have been developed in the hotel context. The learner shows good understanding why the methods are suitable to the hotel employees.	2 marks Good analysis of how financial and/or non-financial methods of motivation can impact on employees. The learner makes an attempt to explain how the motivation methods will motivate employees, with some development and some reference to the data.	2 marks A good evaluation of different financial and/or non-financial motivational methods. The learner will attempt to evaluate the positives and negatives of the motivational methods, but focus on either the positives or negatives. The learner makes partial judgements, with some attempt to support their evaluation.
1	1 mark Limited understanding of methods of financial and/or non-financial motivation is demonstrated. The learner may list methods.	1 mark Limited application of methods of financial and/or non-financial motivation to a hotel business.	1 mark Limited analysis of how financial and/or non-financial methods of motivation can impact on employees. Undeveloped points are made with little or no reference to the data.	1 mark Limited evaluation of different financial and/or non-financial methods of motivation. The learner will make unsupported judgements on the effectiveness of the methods identified.
0	0 marks No valid methods of motivation are identified.	0 marks There is no application to a hotel business.	0 marks There is no analysis of methods of motivation.	0 marks No evaluation of methods of motivation is made.

Indicative content:

Mr Crerar might use a combination of financial and non-financial methods of motivation.

Financial methods might include such aspects as performance-related pay and profit-sharing. The former would be reasonably easy to apply to managers on the basis of the results of their own hotel. It is less easy to measure the performance of a chef or a cleaner.

He might use an appraisal system to assess an employee's performance and link this to an incentive scheme which is common in this type of service industry.

An overall profit-sharing scheme might be used to motivate all employees since they would know that if the business did well they would share in the results.

He might also motivate managers and other employees by paying better than average salaries and wages, though this will have an impact on his costs.

Non-financial methods include the way that he treats his employees, this is referred to in the stimulus. He is a hands-on leader with "an approachable and very honest" style.

He could try to make people's jobs more interesting by giving them increased responsibility or by moving them around from one job to another (job rotation/job enlargement/job enrichment). This could work well in a hotel business where there are a good number of different types of jobs that need doing.

He could encourage team-working. This would be suitable in a service industry like the hotel where there are continuous day to day issues and problems that have to be solved quickly.

He could try to ensure that his employees have a good work-life balance, although that is often difficult in the hotel business where employees frequently work unsocial hours.

Credit any other valid response.

7 (a)	What is meant by the term cash cow? Explain the importance of having cash cows as part of a product portfolio. [6]	
Band	AO1 1abc	AO3
	4 marks	2 marks
2	3-4 marks Good understanding of the term cash cow. A clear understanding of the role of cash cows as part of a product portfolio. The learner will make connections with other categories of the Boston matrix.	2 marks A well-reasoned analysis of the importance of cash cows to a business. The learner clearly explains the impact of having/not having cash cows as part of a product portfolio.
1	1-2 marks Limited understanding of the term cash cow. Superficial understanding of the role of cash cows as part of a product portfolio.	1 mark A limited analysis of the importance of cash cows to a business. A limited understanding of the impact of having/not having cash cows as part of a product portfolio.
0	0 marks No understanding of cash cows and their role.	0 marks No analysis of the importance of cash cows.

Indicative content:

A cash cow is a product with relatively high market share in a low growth market. These are usually profitable and supply the business with a significant positive cash-flow.

However, they are in the maturity phase of their life cycle. They have already been promoted and produced in high volumes so unit costs are low; hence they bring in plenty of revenue for the business.

The revenue created from cash cows can be spent on stars in terms of production or promotion, in the long-term these stars may then turn into cash cows. The cash can also be invested in problem children (question mark) so they can become stars.

The revenue from cash cows may also be used to support dogs where these products are viewed as supporting other products in the portfolio.

7 (b)	Consider the view that, for consumer electronics companies such as Sony, Apple and Samsung, having the correct product portfolio is the most important part of the marketing mix.			
	AO1 1abc	AO2 1abc	AO3	AO4 1c
Band	2 marks	2 marks	4 marks	4 marks
3			3-4 marks Excellent analysis of the relative importance of the product portfolio in the marketing mix. The impact of having the right product portfolio is discussed. The learner will include a clear analysis of other aspects in the marketing mix and their impact on electronic companies. The learner will develop arguments making use of theory and the context. Logical chains of reasoning. An holistic analysis may be included.	3-4 marks An excellent well-balanced and detailed evaluation of the importance of the product portfolio in the marketing mix. Relevant judgements are made with qualifying statements that build the argument. Lines of evaluation are well-developed and make convincing informed judgements on the role of the product portfolio and the marketing mix for companies such as Sony, Apple and Samsung. May offer a conclusion.
2	2 marks Demonstrates good understanding of both product portfolio and the marketing mix. The learner will identify the key components of the marketing mix.	2 marks Good detailed references to the consumer electronics market are made. The learner will use the context of the data to support understanding and develop their answer.	2 marks A good analysis of the importance of the product portfolio in the marketing mix. The impact of having the right product portfolio is identified. The learner may not include all aspects of the marketing mix and their impact on electronic companies. The learner makes some development and some reference to the data.	2 marks Good evaluation of the importance of the product portfolio in the marketing mix. Evaluation is likely to be one-sided. The learner makes partial judgements, with some attempt to support their evaluation.

1	1 mark Demonstrates some knowledge of the product portfolio and the marketing mix.	1 mark Limited references are made to the consumer electronics market. The learner response is mainly theoretical with the inclusion of some examples from the data.	1 mark Limited analysis of the importance of the product portfolio in the marketing mix. Undeveloped points are made with little or no reference to the data and the impact on electronic companies. The learner may only focus on 1 aspect of the marketing mix.	1 mark Limited or brief evaluation of the importance of the product portfolio in the marketing mix. Judgements are unsupported and based on assertions. Evaluation tends to be asserted rather than explained.
0	0 marks Demonstrates no knowledge of the product portfolio and the marketing mix.	0 marks No reference is made to the consumer electronics market.	0 marks No analysis of the importance of the product portfolio is made.	0 marks No evaluation of the importance of the product portfolio is made.

Indicative content:

Answers might include the following:

Arguments in favour:

Sony, Apple and Samsung need to have products that appeal to consumers. In the fast-moving world of consumer electronic goods, it is essential to be constantly updating the product portfolio with new and exciting products. The success of Apple and Samsung is largely down to their ability to produce goods that consumers desire.

The design, convenience of use and portability of the product is very important in these markets as consumers are looking for the latest eye-catching products that not only satisfies their needs but also gives them satisfaction that they have the most attractive products on the market, such as the iPad.

Having popular products allows a business to use premium pricing – this increases profits and makes more money available to invest in R&D in order to produce the next generation of products. This is a virtuous circle.

Arguments against:

Although having great products is important they should not be overpriced. Consumers are willing to pay a premium, but if that premium is too great many consumers will be priced out of the market altogether.

Sony, Apple and Samsung will also need to promote their products. It is no good having great products if no-one knows about them. They will need to finance a huge, multichannel, advertising campaign, in order to keep their products in the public eye.

Sony, Apple and Samsung will need to make sure that their products are freely available in all possible potential markets. Unless the products are stocked by retailers the customer will go elsewhere.

Conclusion: all aspects of the marketing mix need to work in harmony together, if businesses such as Sony, Apple and Samsung are to succeed.

Credit any other valid point.

8	To what extent do you agree with the view that all stakeholders will benefit from the sort of new technology that Sir James Dyson's company is developing. [12]			
Band	AO1 1b	AO2 1b	AO3	AO4 1c
	2 marks	2 marks	2 marks	6 marks
3				5-6 marks Excellent well-balanced evaluation of the impact of the technology on several key stakeholders. The evaluation will focus on the key issues. Relevant judgements are made with qualifying statements used to build an argument. May offer a conclusion.
2	2 marks Clear identification of several key stakeholders and a good understanding of how they will be affected by new technology. The learner will identify the key issues.	2 marks Clear reference made to the case study. Relevant content and data used to develop and support their argument.	2 marks Good analysis of the impact of technology on several key stakeholders. Realistic comments made on how the technology will affect key stakeholders.	3-4 marks Good valid evaluation of the impact of technology on some key stakeholders. The evaluation will include some of the key issues. The evaluation is reasonably well-balanced with some development on both sides of the argument. The learner makes partial judgements, with some attempt to support their evaluation. The answer may contain a brief conclusion.
1	1 mark Some stakeholders identified with superficial understanding of how they will be affected by new technology. The learner will identify some relevant issues.	1 mark Limited use of the data in the case study. The learner response is mainly theoretical with the inclusion of some examples from the data.	1 mark Limited analysis of the effects of technology on some stakeholders. Superficial arguments. Limited development.	1-2 marks Limited or brief evaluation of the impact of the technology on at least 1 stakeholder. Unsupported judgements are made. Evaluation tends to be asserted rather than explained.
0	0 marks No effects on stakeholders are identified.	0 marks No use of the data in the case study or other relevant data is made.	0 marks No analysis of the effects of technology is attempted.	0 marks No evaluation of the impact of technology is made.

Indicative content:

Answers might include the following:

Some consumers are likely to benefit from this type of technology – however, it is likely that only richer consumers will be able to afford house robots. The product will appeal to affluent consumers who buy luxury products. Poorer households will have to continue doing the work themselves as they will not be able to afford the likely premium prices.

As the article says, millions of jobs will be lost. This will affect low-skilled employees who may find themselves without work in the jobs that the robots will replace. On the other hand, better skilled workers may benefit as they get more interesting work to do. But how many jobs will really be created?

Shareholders in firms making the robots are likely to benefit from this technology in the long run, but in the short term the capital needed to invest in the technology to make robots may result in lower profits and dividend. In the long term shares prices and profits may increase if the products sell well.

Businesses making traditional manual tools are likely to lose out unless they adapt to the demands of the new technology. For example a business making sweeping brushes might now consider making brushes to fit inside the robots.

Suppliers of the components needed to make the robots will benefit if there is an increase in the demand for their products. However, Dyson or other large manufacturers may source their supplies from abroad so will have no benefits for British suppliers.

The government may worry if unemployment rises as a result but may be pleased if the robots can be made in the UK and exported to other countries thus increasing tax receipts and benefitting the balance of payments.

Local communities that experience job losses will lose out, whilst others, that can afford to buy the robots, might benefit.

Conclusion: some stakeholders will benefit but others are likely to lose out.

Credit any other valid response.

COMPONENT 2: Business Analysis and Strategy**MARK SCHEME****GENERAL MARKING GUIDANCE****Positive Marking**

It should be remembered that learners are writing under examination conditions and credit should be given for what the learner writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good response to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for a less than perfect answer if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

For each question there is a list of indicative content which suggests the range of business concepts, theory, issues and arguments which might be included in learners' answers. This is not intended to be exhaustive and learners do not have to include all the indicative content to reach the highest level of the mark scheme.

The level based mark schemes sub-divide the total mark to allocate to individual assessment objectives. These are shown in bands in the mark scheme. For each assessment objective a descriptor will indicate the different skills and qualities at the appropriate level. Learners' responses to questions are assessed against the relevant individual assessment objectives and they may achieve different bands within a single question. A mark will be awarded for each assessment objective targeted in the question and then totalled to give an overall mark for the question.

Q.		Total
1	Calculate the values of the variances stating whether the variances are adverse or favourable and in each case explain one possible reason for the variance. (i) Award 1 mark for correct calculation. AO2 1 mark 1a $\pounds 240\,000 - \pounds 265\,000 = \pounds 25\,000$ Award 1 mark for correct variance. AO1 1 mark 1a The variance is favourable. Award 1 mark for correct explanation for the reason for the variance. AO3 1 mark Indicative content: Possible reasons that might impact on the business: An upturn in the economy; an increase in customer incomes; unanticipated success of an advertising campaign; a competitor went out of business; any other valid point. (ii) Award 1 mark for correct calculation. AO2 1 mark 1a $\pounds 98\,000 - \pounds 72\,000 = \pounds 26\,000$ Award 1 mark for correct variance. AO1 1 mark 1a The variance is favourable. Award 1 mark for correct explanation for the reason for the variance. AO3 1 mark Indicative content: Possible reasons that might impact on the business: Cheaper raw material prices; increased labour productivity; a rise in the exchange rate; any other valid point.	6

Q.		Total																											
2 (a)	Calculate a three-year moving average of the company's sales revenue, writing your answers in the spaces in the table above. Award up to 3 marks for correct figures minus 1 mark for each mistake. AO2 3 marks 1a <table><tr><td>Year</td><td>2007</td><td>2008</td><td>2009</td><td>2010</td><td>2011</td><td>2012</td><td>2013</td><td>2014</td></tr><tr><td>Sales Revenue</td><td>£48 000</td><td>£52 000</td><td>£50 000</td><td>£57 000</td><td>£64 000</td><td>£65 000</td><td>£72 000</td><td>£73 000</td></tr><tr><td></td><td></td><td>£50 000</td><td>£53 000</td><td>£57 000</td><td>£62 000</td><td>£67 000</td><td>£70 000</td><td></td></tr></table>	Year	2007	2008	2009	2010	2011	2012	2013	2014	Sales Revenue	£48 000	£52 000	£50 000	£57 000	£64 000	£65 000	£72 000	£73 000			£50 000	£53 000	£57 000	£62 000	£67 000	£70 000		3
Year	2007	2008	2009	2010	2011	2012	2013	2014																					
Sales Revenue	£48 000	£52 000	£50 000	£57 000	£64 000	£65 000	£72 000	£73 000																					
		£50 000	£53 000	£57 000	£62 000	£67 000	£70 000																						
2 (b)	Plot your results on the graph below and draw in a line of best fit. Award 1 mark for plotting the results. AO2 1 mark 1a Award 1 mark for drawing in the line of best fit. AO2 1 mark 1a OFR applies.	2																											
2 (c)	Use the line of best fit to predict the sales revenue for 2015. Award 1 mark for correct figure. AO2 1 mark 1a Allow anywhere in the range £78 000 – £82 000. OFR applies.	1																											

2 (d)	Assess the usefulness of this prediction to the company.		[6]
Band	AO3	AO4 1ac	
	3 marks	3 marks	
2	2-3 marks Good analysis of the use of extrapolation. Both the negative and positive impacts of using extrapolation are discussed. The learner will develop arguments and a logical chain of reasoning to make use of theory and the context.	2-3 marks Well-reasoned evaluation of the key issues involved in extrapolation that considers the negatives and positives. Clear reference to the data to support the argument. Relevant judgements are made with qualifying statements that build the argument.	
1	1 mark Limited analysis of the use extrapolation. Points made are in general terms and only one-side of the usefulness of extrapolation is discussed.	1 mark Limited evaluation of the issues involved in extrapolation. Brief or unsupported judgements. No or little reference is made to the data to support the argument.	
0	0 marks No analysis of the problems surrounding extrapolation is attempted.	0 marks No evaluation of the issues involved in extrapolation is given.	

Indicative content:

As this is an extrapolation it is by no means certain that the prediction will be achieved. Many things could go wrong, either with the business, its competitors or the economy in general. On the other hand the prediction may well be exceeded as there seems to be a general upward trend in sales: if this is the case the prediction will leave the company underprepared for the future.

Nevertheless, some prediction is better than none. It will enable them to obtain the necessary resources that they need in terms of machinery, labour and raw materials as well as indicating any need to raise additional finance.

3	Using ratio analysis, calculate the four financial ratios for 2015. Analyse and evaluate the financial performance of the business over these two years. [14]			
Band	AO1 1a	AO2 1a	AO3	AO4 1a
	3 marks	3 marks	3 marks	5 marks
3	3 marks Excellent understanding of the key financial performance indicators. Correct knowledge of profit, ROCE and gearing ratios.	3 marks The learner applies the correct ratios to the financial data. Correct data used in the calculations. All ratios are calculated correctly.	3 marks Excellent interpretation of the key financial performance indicators. The learner will include a clear analysis of their calculations and the impact on the company. Logical chains of reasoning. Reference should be made to both years.	4-5 marks Excellent evaluation of the figures with relevant points and qualifying statements with reference to both years. The evaluation will focus on the key financial data. Clear reference to the data and context to support their argument. May make an overall judgement on the performance of the business.
2	2 marks Good understanding of the key financial performance indicators. Several ratios identified correctly.	2 marks At least 2 ratios are calculated correctly. The correct ratios used, though there may be errors in the calculations.	2 marks Good interpretation of several of the ratios calculated. Realistic analysis is made but the explanation of the impact on the company lacks depth and is unsupported. Reference should be made to both years.	2-3 marks Good evaluation of the calculations is made. The evaluation will include some of the key financial data. The learner makes partial judgements, with some attempt to support their evaluation.
1	1 mark Identification of gross profit, net profit or capital employed. May use 1 ratio or show limited knowledge of ratios.	1 mark At least 1 ratio is calculated correctly.	1 mark Limited unsupported analysis of the figures. Use of the data is descriptive with little reference to the impact on the company and little or no reference to the calculations. Reference may be made to only one year.	1 mark Limited or brief evaluation of the figures with limited judgement on their meaning for the business. Unsupported judgements are made. Reference may be made to only one year.
0	0 marks No understanding of financial analysis is demonstrated.	0 marks No financial analysis is applied to the data.	0 marks No analysis of the financial performance of the business is made.	0 marks No evaluation of the financial performance of the business is made.

Indicative content:

Sales turnover has increased by 2.9% which is encouraging.

The gross profit margin is $\text{£}86\,240/\text{£}720\,000 \times 100 = 11.98\%$ this compares with 15.6% the previous year. This seems to be quite a low figure and the significant downward trend is worrying.

The net profit is $\text{£}86\,240 - \text{£}74\,120 = \text{£}12\,120$

Therefore the net profit margin is $\text{£}12\,120/\text{£}720\,000 \times 100 = 1.68\%$ this compares with 4.2% the previous year. This is a very low net profit margin and the fact that it has fallen so much is also cause for concern. It means that there is little money either to distribute to shareholders or to reinvest back into the business. If this carries on the business is likely to be in serious trouble. The expenses seem to be too high and they will need to find some way of reducing them.

The capital employed is $\text{£}140\,000 + \text{£}60\,000 = \text{£}200\,000$

Therefore the return on capital employed (ROCE) is $\text{£}12\,120/\text{£}200\,000 \times 100 = 6.06\%$ this compares with 9.4% the previous year, once again the trend is worrying. If this continues shareholders will start to look elsewhere to invest their money. However, at least it is still higher than the current bank rate of interest.

The gearing is $\text{£}140\,000/\text{£}200\,000 \times 100 = 70\%$ last year it was 50%. This indicates that the company has increased its long-term liabilities. It was already highly-g geared and now the figure is well over 50%, this means that interest payments may be high and the business might find it difficult trying to borrow more money in the future.

Overall evaluation:

The business seems to be suffering from a drastic lack of profitability. It needs to increase revenue and/ or reduce the cost of sales and expenses. Maybe it could find cheaper suppliers, maybe it could outsource its production. It might also consider selling some assets in order to reduce its long-term liabilities. If things carry on like this the business will be in trouble.

N.B. The own figure rule applies when interpreting ratios.

Q.		Total																														
4 (i)	Calculate the payback period for both machines in years and months. Award 1 mark for each correct payback period. AO2 2 marks 1a Printing press: 3 years and 2 months Binding machine: 2 years and 6 months	2																														
4 (ii)	Calculate the Average Rate of Return (ARR) for both machines. AO2 4 marks 1a Printing press: Total return = £140 000 Less initial cost = <u>£70 000</u> = £70 000 1 mark Net return per annum = £70 000/5 Average rate of return = £14 000/£70 000 x100 = 20% 1 mark Binding machine: Total return = £85 000 Less initial cost = <u>£34 000</u> = £51 000 1 mark Net return per annum = £51 000/5 Average rate of return = £10 200/£34 000 x 100 = 30% 1 mark Allow OFR.	4																														
4 (iii)	Calculate the Net Present Value (NPV) for both machines. AO2 6 marks 1a <table border="1"><thead><tr><th></th><th>Printing Press Cash Flow</th><th>Printing Press Present Value</th><th>Binding Machine Cash Flow</th><th>Binding Machine Present Value</th></tr></thead><tbody><tr><td>Year 1</td><td>£15 000</td><td>£14 250</td><td>£11 000</td><td>£10 450</td></tr><tr><td>Year 2</td><td>£20 000</td><td>£18 000</td><td>£14 000</td><td>£12 600</td></tr><tr><td>Year 3</td><td>£30 000</td><td>£25 800</td><td>£18 000</td><td>£15 480</td></tr><tr><td>Year 4</td><td>£30 000</td><td>£24 600</td><td>£22 000</td><td>£18 040</td></tr><tr><td>Year 5</td><td>£45 000</td><td>£35 100</td><td>£20 000</td><td>£15 600</td></tr></tbody></table> The printing press Present Value = £117 750 1 mark Net Present Value = £117 750 – £70 000 1 mark = £47 750 1 mark The binding machine Present Value = £72 170 1 mark Net Present Value = £72 170 – £34 000 1 mark = £38 170 1 mark OFR applies		Printing Press Cash Flow	Printing Press Present Value	Binding Machine Cash Flow	Binding Machine Present Value	Year 1	£15 000	£14 250	£11 000	£10 450	Year 2	£20 000	£18 000	£14 000	£12 600	Year 3	£30 000	£25 800	£18 000	£15 480	Year 4	£30 000	£24 600	£22 000	£18 040	Year 5	£45 000	£35 100	£20 000	£15 600	6
	Printing Press Cash Flow	Printing Press Present Value	Binding Machine Cash Flow	Binding Machine Present Value																												
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Year 4	£30 000	£24 600	£22 000	£18 040																												
Year 5	£45 000	£35 100	£20 000	£15 600																												

4 (iv)	On the basis of your calculations advise Jane as to which machine to buy. [4]	
Band	AO3	AO4 1ab
	2 marks	2 marks
2	2 marks Good interpretation of the investment appraisal figures and their potential impact on the business. A well-developed response that uses the data. The learner will refer to all 3 methods.	2 marks Accurate and holistic evaluation of the investment appraisals figures, referring to data from all 3 methods. Supported well-reasoned advice is given.
1	1 mark Limited unsupported interpretation of the investment appraisal figures and their potential impact on the business. Points made are in general terms and not in the context of the data. May only refer to 1 or 2 methods.	1 mark Limited or brief evaluation of the investment appraisal figures with limited judgement. May only include 1 or 2 methods. Unsupported or brief advice is given.
0	0 marks No interpretation of the investment appraisal figures is given.	0 marks No evaluation of the investment appraisal figures is given.

Indicative content:

On the basis of payback the binding machine represents the best investment. If the company is experiencing cash flow problems or if they expect technology to change rapidly this might be the best option.

On the basis of the average rate of return the binding machine would be the best option as it gives a return of 30% as against 20% for the printing press.

On the basis of the net present value, the printing press represents the best option as it is £47 750 as opposed to £38 170.

Overall, it is difficult to decide between the two based on quantitative factors although the binding machine would appear to be favourite as it comes first on two counts.

4 (v)	Analyse the qualitative factors that Jane should take into account before making her final decision. [8]		
Band	AO1 1ac	AO3	AO4 1cd
	2 marks	3 marks	3 marks
2	2 marks Good understanding of the key qualitative factors that need to be considered. A clear understanding of the issues for each qualitative factor.	2-3 marks A good and detailed analysis of the qualitative issues regarding the two machines and the impact the decision will have on the company. The key factors are clearly analysed. A developed response that makes good use of the data.	2-3 marks A good well-reasoned evaluation of the key qualitative issues regarding the two machines. Judgements are made that support the analysis. Evaluation is likely to include judgements on the impacts of the final decision on the company and in context of the company's position.
1	1 mark Identifies some of the key qualitative factors that need to be considered.	1 mark Limited unsupported analysis of the issues regarding the two machines. Undeveloped points are made with little or no reference to the data.	1 mark Limited evaluation of at least 1 qualitative issue regarding the machines. Supporting comments lack depth and minimal context.
0	0 marks No knowledge of qualitative factors is demonstrated.	0 marks There is little or no valid analysis of the issues regarding the two machines.	0 marks There is little or no valid evaluation of the issues regarding the two machines.

Indicative content:

The qualitative factors that Jane should take into account include:

The impact on the workforce. The printing machine is going to cause two people to lose their jobs. This may result in industrial action from the printing unions which could lead to loss of output as well as souring industrial relations. However, for those who remain in the business the investment may enhance the long-term stability of the business.

The worker using the binding machine will need to be trained, this could be expensive and if, off-the-job training is used, the person will not be available for work whilst they are being trained.

The binding machine is unreliable and does not always provide consistent quality. This may mean that customers are frustrated because their orders are late or imperfect.

It may be that, in the long-run, quality and customer satisfaction are more important to the business than short-term profitability. The returns are only projections and if customers became upset the projected returns may not be realised.

Other qualitative issues may include corporate strategy, risk, health and safety legislation and availability of funding.

Credit any other valid qualitative factor.

5 (a)	Explain why brands are essential to the success of Unilever plc. [6]		
Band	AO1 1ab	AO2 1ab	AO3
	2 marks	2 marks	2 marks
2	2 marks Good understanding of the importance of brands to a large company like Unilever. The learner identifies the key factors why brands are essential.	2 marks Good application of the key issues to Unilever. There is direct and clear reference to Unilever. Information in the data is used in development.	2 marks Good analysis of the impact of brands on Unilever. The key issues are developed. The learner develops their argument with supporting analysis from the data.
1	1 mark Limited understanding of the importance of brands to a large company like Unilever. Understanding is superficial.	1 mark Limited references are made to Unilever. The learner response is mainly theoretical with the limited use of examples from the data.	1 mark Limited analysis of the impact of brands on Unilever. Use of the data is descriptive with little development. Superficial or generic discussion of the impact of brands on Unilever.
0	0 marks Little or no understanding of the importance of brands.	0 marks Little or no application to Unilever.	0 marks Little or no analysis of the importance of brands to Unilever.

Indicative content:

By having well-known brands Unilever will make sure that its products are instantly recognisable to its customers. Unilever has a number of products that are household names.

It also helps to ensure that the customers are loyal. They will trust a brand, because they know that it has consistent quality and they will go back and purchase it again and again. 14 of their products have sales over €1 billion.

Because Unilever operates in oligopolistic and monopolistic competitive markets it is very important that it differentiates its products from others that are available on the market.

By having popular brands Unilever is able to charge premium prices for its products. Because Unilever operates in so many different countries its brands will be instantly recognisable to travellers. It has successfully developed global brands.

5 (b)	What is the Ansoff matrix and how might it be useful to Unilever plc in achieving sales growth? [8]		
Band	AO1 1bc	AO2 1bc	AO3
	4 marks	2 marks	2 marks
2	3-4 marks Good understanding of the Ansoff matrix. All 4 categories identified and a clear understanding of its use in product portfolios. May construct a correct and accurate diagram.	2 marks Well-detailed and accurate application of the Ansoff matrix to Unilever throughout the answer. The learner makes effective use of the data to show the usefulness of the Ansoff matrix.	2 marks Good analysis of the relative usefulness of the Ansoff Matrix to Unilever. A clear understanding of the impact of the different matrix categories on Unilever. The key factors are clearly analysed. The learner will develop arguments making use of theory and the context. An holistic analysis may be included.
1	1-2 marks Limited understanding of the Ansoff matrix. The categories may be identified only. May construct a diagram which will have some key labels missing/incorrect.	1 mark Limited application or largely incorrect reference to Unilever. 1 or 2 categories are applied to Unilever.	1 mark Limited analysis of the usefulness of the Ansoff matrix on Unilever. Not all categories are analysed. Use of the data is descriptive with little development.
0	0 marks Little or no understanding of the Ansoff matrix.	0 marks Little or no application of the Ansoff matrix to Unilever.	0 marks Little or no analysis of the usefulness of the Ansoff matrix to Unilever.

Indicative content:

The Ansoff matrix diagram:

MARKET		PRODUCT	
		Existing	New
	Existing	Market Penetration	Product Development
	New	Market Development	Diversification

The Ansoff matrix is a useful tool for a business such as Unilever, which is clearly aiming for growth as illustrated in the table. The matrix suggests possible strategies to achieve growth and Unilever could achieve growth by:

Market penetration: Unilever may attempt to sell more of its existing products in existing markets particularly in developing countries where there is considerable potential for growth. For example, people in Russia may be developing a taste for ice cream so that there is potential to sell more Magnums there.

Market development: Unilever may look for new markets for its existing products. Although it is already operating in 190 countries there may still be others where they have not yet succeeded in selling their products.

Product development: Unilever is likely to be constantly spending money on research and development in order to make new products which it can sell to its existing customers. For example Colman's only used to be a brand of mustard but now there are many different products sold under its brand name.

Diversification: Unilever may try to develop new products to sell in new markets. For instance, at present it may not be selling any ice cream in China and it may find that its existing products do not meet the tastes of people in China and so it might develop, for example, new flavours of ice cream that appeal to Chinese people.

The Ansoff matrix can help Unilever decide which areas offer the best prospects for growth and increased profitability.

5 (c)	Evaluate Unilever's vision from the point of view of its various stakeholders. [10]		
Band	AO2 1b	AO3	AO4 1c
	2 marks	2 marks	6 marks
3			5-6 marks Excellent evaluation of Unilever's vision from the point of view of its various stakeholders. The evaluation is balanced and detailed and will focus on the key stakeholders and issues. Clear judgements are made with supporting statements to build an argument. An holistic evaluation may be offered with an overall conclusion.
2	2 marks There is direct and clear reference to Unilever. Key aspects of Unilever's vision are identified and used in development.	2 marks A good analysis of Unilever's vision from the point of view of its various stakeholders. The impact of the key aspects of the vision statement on key stakeholders is discussed. The learner will develop arguments making use of theory and the context. A clear chain of argument is present.	3-4 marks A good evaluation of Unilever's vision from the point of view of its various stakeholders. The evaluation is reasonably well-balanced with some development. Reference is made to some of Unilever's key stakeholders. The learner makes judgements with some attempt to support their evaluation. The answer may contain a brief conclusion.
1	1 mark Limited references are made to Unilever. The learner response is mainly theoretical with the limited use of reference to Unilever's vision.	1 mark Limited development and analysis of Unilever's vision from the point of view of its various stakeholders. The impact on a limited number of Unilever's key stakeholders is analysed.	1-2 marks A limited evaluation of Unilever's vision from the point of view of its various stakeholders. The evaluation will be one-sided and include general comments that are not developed or quantified. Limited reference is made to some of Unilever's stakeholders. Evaluation tends to be asserted rather than explained.
0	0 marks No application to Unilever.	0 marks No valid analysis of Unilever's vision.	0 marks No valid evaluation of Unilever's vision.

Indicative content:

Consumers and customers: if they can achieve their vision of helping people feel good, look good and get more out of life, then this will have a positive impact upon those who consume their goods. However, some of their products, such as ice cream and butter, are unlikely to make people look good as they have negative health implications.

Employees: if Unilever achieve the sales growth they hope for then this is likely to impact positively upon their employees through greater job security, increased job opportunities and higher wages.

Suppliers: as Unilever grow they are likely to require greater supplies which will increase the business for those businesses they deal with currently. However, larger companies may undertake backward vertical integration to take greater control of their supply chain and therefore by-pass their current suppliers. The more powerful Unilever become the greater the likelihood that they can coerce their suppliers into lowering their prices.

Competition: the greater Unilever's success the more likely it is they will take market share from their competitors. Unilever success however may galvanise their competitors into improving their own performance in order to prevent this from occurring.

Communities: those communities who provide the workforce globally will clearly benefit from an increased standard of living. However, Unilever has many production units that could create disruption and possible pollution when manufacturing their goods, especially with detergents and chemicals.

Governments: many governments, especially in third world countries, would welcome Unilever from the point of view of creating wealth and using local supplies. Tax revenues would also be enhanced, through income and business taxes.

Shareholders: greater sales are likely to lead to greater profits which will be reflected in higher dividends and increased share price. As with all businesses, elements of risk will always be present if Unilever fail to manage their strategy of growth effectively.

Unilever's vision is to 'make sustainable living commonplace'. Like all visions this statement is quite vague and might be considered, by some people, to be too vague to be meaningful and the impact upon the various stakeholders may or may not be significant.

COMPONENT 3: Business in a Changing World**MARK SCHEME****GENERAL MARKING GUIDANCE****Positive Marking**

It should be remembered that learners are writing under examination conditions and credit should be given for what the learner writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good response to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for a less than perfect answer if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

For each question there is a list of indicative content which suggests the range of business concepts, theory, issues and arguments which might be included in learners' answers. This is not intended to be exhaustive and learners do not have to include all the indicative content to reach the highest level of the mark scheme.

The level based mark schemes sub-divide the total mark to allocate to individual assessment objectives. These are shown in bands in the mark scheme. For each assessment objective a descriptor will indicate the different skills and qualities at the appropriate level. Learners' responses to questions are assessed against the relevant individual assessment objectives and they may achieve different bands within a single question. A mark will be awarded for each assessment objective targeted in the question and then totalled to give an overall mark for the question.

SECTION A

1 (a)	What is benchmarking (line 47) and how might it be useful for United Biscuits? [4]	
Band	AO1 1a	AO2 1a
	2 marks	2 marks
2	2 marks Good understanding of benchmarking. The learner identifies the key factors of benchmarking.	2 marks Good application of benchmarking to United Biscuits. Clear explanation as to usefulness to United Biscuits.
1	1 mark Limited understanding of benchmarking.	1 mark Limited application of benchmarking to United Biscuits. Some attempt to explain its usefulness to United Biscuits.
0	0 marks Little or no understanding of benchmarking.	0 marks Little or no application of benchmarking to United Biscuits.

Indicative content:

A definition of benchmarking: “imitating the standards of an established leader in quality and attempting to better them”.

Answers might include:

Benchmarking would mean that United Biscuits would be following best practice. This would ensure that they were operating efficiently, minimising waste, maximising output and profit and, according to Mr Glenn, operating on a global scale like Coke or Cadbury.

It would be useful for United Biscuits to know how other companies manufacture, market and distribute their products and achieve global dominance.

United Biscuits strives to be the number one company in the global biscuits market, benchmarking, might enable them to achieve this aim.

1 (b)	With reference to the data, analyse United Biscuits' strengths and weaknesses.			[10]
Band	AO1 1bc	AO2 1bc	AO3	
	2 marks	2 marks	6 marks	
3			5-6 marks An excellent detailed and well balanced analysis of the key strengths and weaknesses. Brings together all the key issues effectively and the impact they have on United Biscuits. An excellent understanding of United Biscuits' current position and possible impact for the future. The learner develops their argument with supporting analysis from the data. Logical chains of reasoning.	
2	2 marks Good identification and understanding of several key strengths and weaknesses.	2 marks Good application of the data in the case study. Several key strengths and weaknesses are explained in the context of the data. Good detailed references to the case study. The learner will use the context of the data to support development of their answer.	3-4 marks A good attempt at analysing the key strengths and weaknesses of United Biscuits. A number of key issues have been developed with reference to the possible impact on United Biscuits. The argument is developed in context. The analysis may be unbalanced with a focus on either the strengths or weaknesses.	
1	1 mark Limited understanding of the key strengths and/or weaknesses. The strengths and weaknesses are simply identified.	1 mark Limited application of the data in the case study. Limited explanation of the relevance of the key strengths and weaknesses. Development is generic and not always applied to the context of United Biscuits.	1-2 marks Limited analysis of the strengths and/or weaknesses faced by United Biscuits. A limited number of issues are analysed. Use of the data is descriptive with limited development. Superficial understanding of the impact of the strengths and/or weaknesses identified.	
0	0 marks No relevant strengths or weaknesses are identified.	0 marks No application of the strengths or weaknesses to United Biscuits.	0 marks No analysis of the strengths or weaknesses of United Biscuits.	

Indicative content:

Answers might include the following:

Strengths

The company has a portfolio of well-known, long-established brands such as Rich Tea and Jaffa Cakes. Customers trust these brands and are likely to stay loyal to them.

The company is making greater use of the abilities of its workforce. The company has introduced quality circles which are already showing results. This will mean that workers are more engaged in the activities of the business.

The company has installed new flow production technology at the factory, as part of a £35m investment plan. This should make the production process more efficient.

Most of the company's machinery functions perfectly well and needs no updating.

The company already markets its goods in over 100 overseas markets.

Despite the fact that people are looking for food containing less fat and sugar, biscuits are seen as a healthier option when compared to chocolate or crisps.

Weaknesses

United Biscuits needs to be more ambitious and to modernise its business practices in line with its competitors.

Some of the company's brands may be coming towards the end of their life-cycle and may need to be replaced with new products. This means that the company might need to spend money on research and development.

Sales revenue has stalled in recent years.

The company's profit margins are low: GPM = 13.1% and NPM after interest is only 3.6%. This means that the company may be in danger of a take-over bid (in 2010, China's Bright Food made a failed bid for the company).

The company has £1bn of debt so it has to pay very large interest payments, which reduces the amount of money it has available to invest.

1 (c)	Evaluate the importance of Mr Glenn's leadership in bringing about change at United Biscuits.				[12]
Band	AO1 1ab	AO2 1ab	AO3	AO4 1c	
	2 marks	2 marks	2 marks	6 marks	
3				5-6 marks An excellent well-reasoned and detailed evaluation of the impact of Mr Glenn's leadership in bringing about change at United Biscuits. The evaluation will consider the qualities of Mr Glenn and critically evaluate their effect on the success or failure of implementing change at United Biscuits. Clear judgements are made with supporting statements to build an argument. Clear reference to the data and context to support their argument. May offer a conclusion or overall judgement of Mr Glenn's leadership of the business.	
2	2 marks Good understanding of the role of leadership in bringing about change in a business. Good understanding of the qualities of successful leadership. Clear identification of the key leadership styles.	2 marks Well-detailed and accurate application of the theory of leadership applied to United Biscuits. The learner makes effective use of the data.	2 marks Good analysis of the proposition that leadership plays a key role in bringing about change at United Biscuits. The impact of Mr Glenn's leadership on United Biscuits is discussed. The answer will include well-reasoned developments that indicate a good understanding of leadership qualities and styles and how they can impact on business issues. The analysis draws on the data in the case study.	3-4 marks A good evaluation of the impact of Mr Glenn's leadership on implementing change at United Biscuits. The evaluation is developed in context. The evaluation will include some of the key issues. The evaluation is reasonably well-balanced with some development on both sides of the argument. The learner makes judgements with some attempt to support their evaluation. May offer a conclusion or overall judgement of Mr Glenn's leadership on the business.	

1	1 mark Limited understanding of the role of leadership in bringing about change in a business. Limited understanding of the qualities of successful leadership.	1 mark Limited application of the theory of leadership applied to United Biscuits. The learner response is mainly theoretical with the limited use of examples from the data.	1 mark Limited analysis of the proposition that leadership plays a key role bringing about change at United Biscuits. The learner is likely to offer superficial arguments with limited development of how leadership impacts on business issues. The analysis may be generic and not show a full understanding of leadership qualities and styles.	1-2 marks Limited evaluation of Mr Glenn's leadership of United Biscuits. The learner shows an awareness of some of the key issues but with limited development. Judgements are superficial and unsupported. Use of the data is descriptive with limited development. The evaluation makes limited reference to how Mr Glenn's leadership affects the business. Evaluation tends to be asserted rather than explained.
0	0 marks Little or no understanding of the role of leadership demonstrated.	0 marks Little or no application to United Biscuits.	0 marks Little or no analysis of the importance of leadership is given.	0 marks Little or no evaluation of the importance of leadership is given.

Indicative content:

Answers might include the following:

Leadership qualities include such aspects as vision, determination, ambition, honesty, optimism, confidence, experience, integrity and the ability to communicate. To be successful Mr Glenn will need to have many of these qualities. He appears to have a vision for the company and is determined to make it work. He is confident and optimistic: this is essential if he is to persuade other people. It is essential that people trust him so he must have integrity and he must be able to communicate his ideas effectively. He has only been with UB for a short time, yet he has been proactive in making changes and planning for the future. He has a positive attitude towards implementing change.

Leadership is usually classified in terms of its style: autocratic, paternalistic, democratic, bureaucratic and laissez-faire. It is generally agreed that no one style is correct but that the important thing is to use an appropriate leadership style depending on the circumstances.

The question then becomes (a) what is Mr Glenn's leadership style? And (b) is it appropriate under the circumstances in order to bring about change? If Mr Glenn adopts an appropriate leadership style most experts would argue that it would be very important in achieving the objectives of United Biscuits.

The evidence of the case study seems to suggest that Mr Glenn takes a Theory Y view of his workforce, he wants "the employees to be risk-takers." He has also introduced quality circles so he feels that workers can contribute to the success of the business. His management style appears to be democratic (his use of the term 'we' and not 'I' in the data).

This leadership style is one that should motivate his workforce and therefore lead to the success of the business. However, he may also have to take some tough decisions, because there is a lot that needs to be done if it is to become a successful global business so he may also need, at times, to be autocratic.

Ultimately the role of leadership is crucial if a business is successfully implement change, although there are many other factors, such as product design, the state of the economy and the actions of competitors, which also play a large part in determining success or failure.

1 (d)	Assess the impact of political, economic, social and technological (PEST) factors on United Biscuits.				[12]
Band	AO1 1bc	AO21bc	AO3	AO4 1ac	
	2 marks	2 marks	4 marks	4 marks	
3			3-4 marks An excellent analysis of the impact of the key PEST factors on United Biscuits. The analysis is balanced and detailed. The answer will include well-reasoned developments that indicate a good understanding of how the key PEST factors will impact on United Biscuits. The analysis draws on the data in the case study. Logical chains of reasoning.	3-4 marks An excellent critical and detailed evaluation of the impact of the key PEST factors on United Biscuits. The evaluation is well-balanced and will focus on the key issues. Clear reference to the data and context to support their argument. Relevant judgements are made with qualifying statements used to build an argument. An holistic evaluation may be offered with an overall conclusion.	
2	2 marks Good understanding of the impact of PEST factors on business activity is demonstrated. The key PEST factors are identified.	2 marks The impact of the key PEST factors is clearly applied to the case of United Biscuits. The learner makes effective use of the data throughout their answer.	2 marks A good analysis of the impact of the key PEST factors on United Biscuits. A number of the key issues have been developed. The analysis is developed in context. The analysis may be unbalanced. The analysis will not refer to all of the PEST factors.	2 marks A good evaluation of the impact of the key PEST factors on United Biscuits. The evaluation will include some of the key issues. The learner makes partial judgements, with some attempt to support their evaluation. The answer may contain a brief conclusion.	

1	1 mark Limited understanding of the impact of PEST factors on business activity is demonstrated. Limited number of PEST factors are identified.	1 mark Limited application of the impact of PEST factors to the case of United Biscuits. The learner response is mainly theoretical with the limited use of examples from the data.	1 mark Limited analysis of how PEST factors can affect United Biscuits. The analysis is likely to refer to few impacts and will not be developed. The analysis may only refer to 1 or 2 of the PEST factors. Superficial discussion on the impact of PEST factors on United Biscuits.	1 mark Limited evaluation of the impact of PEST factors on United Biscuits. Statements may be brief or not fully apply to United Biscuits context. Unsupported judgements are made. Evaluation will focus on 1 or 2 PEST factors.
0	0 marks Little or no understanding of the impact of PEST factors on business activity.	0 marks Little or no attempt to apply understanding of the impact of PEST factors on United Biscuits.	0 marks Little or no analysis of the impact of PEST factors on United Biscuits.	0 marks Little or no evaluation of the impact of PEST factors on United Biscuits.

Indicative content:

Political factors may have a positive or negative effect on United Biscuits. Factors such as political instability, increases in taxation and new regulations are likely to have a negative impact. Government policies that are generally pro-industry are likely to have a beneficial effect. Such factors might include a reduction in red tape, the availability of grants, a reduction in taxation and political stability.

Economic factors are likely to have a profound impact on the activities of United Biscuits. The recession will have had the effect of reducing turnover. Inflation could cause the company's costs to rise and eat into their profit margins. Exchange rates might affect the business either positively or negatively, or even both as they are both an importer of raw materials and an exporter of finished products. A rise in interest rates is likely to have a negative impact on the business as they have high levels of debt.

Social factors such as changes in the population may have an effect on United Biscuits, for instance they may need to develop new products to attract younger consumers. Lifestyle changes, such as trends in healthier eating may mean that less people eat biscuits unless United Biscuits produce a range of biscuits that are considered to be healthy, such as muesli bars. As the developing world markets become more affluent the markets for such products may well expand.

Changes in technology can allow United Biscuits to increase efficiency and quality. New technology will enable the business to increase the speed and quantity of production and also use new packaging materials. Can also be used in their marketing, for example e-commerce. This gives the company a competitive advantage over similar businesses that do not have this technology. However new technology can be expensive and needs to be used more or less constantly in order to recoup the initial outlay.

Any other valid response should be credited.

1 (e) Discuss the benefits and difficulties of United Biscuits' plan for overseas domination. [12]				
Band	AO1 1abc	AO2 1abc	AO3	AO4 1ab
	2 marks	2 marks	4 marks	4 marks
3			3-4 marks An excellent detailed and well-balanced analysis of the likely impact of global growth on the business. Key issues have been well-developed with a clear line of argument. Logical chains of reasoning. The answer will include well-reasoned arguments on the likely key benefits and difficulties which relate to United Biscuits current position. The analysis draws on the data in the case study.	3-4 marks An excellent critical evaluation of the benefits and difficulties of global growth for United Biscuits. The evaluation will focus on the key issues and make clear references to the data and context to support their argument. Makes relevant points and qualifying statements to build an argument. Clear judgements are made with supporting statements to build an argument. Quantitative and qualitative information is evaluated. May offer a conclusion which offers a judgement on whether or not United Biscuits should expand globally.
2	2 marks Clear identification and understanding of several key benefits and difficulties of global growth.	2 marks Clear reference to the data in the case study. Relevant content in the data is used to develop and support their argument throughout their answer.	2 marks A good analysis of the likely impact of global growth on the business. A number of the key issues have been developed. The analysis is developed in context. The analysis may be uneven/unbalanced. Valid arguments on the likely benefits and difficulties which relate to United Biscuits current position.	2 marks A good attempt at an evaluation of the benefits and difficulties of global growth for United Biscuits. The evaluation will include some of the key issues. Some quantitative or qualitative information is evaluated. The learner makes partial judgements, with some attempt to support their evaluation. The answer may contain a brief conclusion.

1	1 mark Limited understanding of the benefits or difficulties of global growth. The benefits and or difficulties are simply identified. Superficial knowledge of global growth.	1 mark Limited use of the data in the case study. Knowledge and understanding may not be applied specifically to the context given in the case study.	1 mark Limited analysis on the benefits and/or difficulties of global growth. A limited number of issues are analysed. Superficial arguments. The impact of global expansion is unclear.	1 mark Limited or brief evaluation of global growth for United Biscuits. Statements do not fully apply to the United Biscuits context. Evaluation may be unbalanced or focus on benefits or difficulties. Unsupported statements.
0	0 marks No relevant benefits or difficulties of global expansion are identified.	0 marks No application of benefits or difficulties of global expansion to United Biscuits.	0 marks No attempt to analyse the benefits or difficulties of global expansion.	0 marks No attempt to evaluate the benefits or difficulties of global expansion.

Indicative content:

Answers might include the following:

Advantages:

By selling their biscuits in more overseas countries United Biscuits can increase their overall sales revenue and operating profit.

This should allow them to take further advantage of economies of scale and provide them with the finance they need for investment in new plant and machinery.

They may decide to produce a greater proportion of their biscuits overseas, which may result in lower production costs and hence greater profit margins.

Difficulties:

Consumers in different countries have different tastes and United Biscuits may have to adapt their products to suit these tastes, increasing costs and there is no guarantee of success.

There may already be well-established local or international companies and United Biscuits may find it difficult to compete in these markets.

It will cost the company a lot of money to set up sales networks and supply chains in these markets.

There may be problems with languages, both in terms of communication with the local salesforce and in the translation of marketing information where words can have different meanings in different languages.

They may experience diseconomies of scale if the business gets too big to control efficiently.

Exchange rate fluctuations could increase the degree of uncertainty facing the business.

Conclusion:

Although there are risks in overseas expansion, the fact that the home market may be close to saturation suggests that the benefits should outweigh the potential difficulties for United Biscuits.

SECTION B

2 (a)	Explain how and why goods and services provided by public sector organisations, such as the National Health Service or the BBC, differ from those of private sector businesses, such as ASDA or Sky TV. [10]		
Band	AO1 1ab	AO2 1ab	AO3
	4 marks	4 marks	2 marks
3	3-4 marks Excellent understanding of the public and private sectors of the UK economy. A clear understanding of the key aspects and objectives of each sector. Key differences are identified.	3-4 marks The learner makes excellent use of the examples listed in the question to demonstrate the differences between public sector and private sector organisations. There is direct specific use of the examples in the question to support a given point. Several differences are applied to the given examples.	
2	2 marks Good understanding of the public and private sectors of the UK economy. Several key aspects and objectives of both sectors are identified. Several differences are identified.	2 marks The learner makes good use of the examples listed in the question to demonstrate the differences between public sector and private sector organisations. There are several references to the examples in the question to support a given point.	2 marks A good analysis of the impact on the public of providing goods and services in the public or private sectors. The learner will explain how the key aspects and objectives of each sector will impact on consumers.
1	1 mark Limited understanding of the public and private sectors of the UK economy. Answers will lack a clear understanding of the differences between the two sectors. Understanding is superficial.	1 mark The learner makes limited use of the examples listed in the questions to demonstrate the differences between public sector and private sector organisations. Answers may lack precision in terms of reference to the given examples. At least 1 difference is applied to the given examples.	1 mark A limited analysis of the impact on the public of providing goods and services in the public or private sectors. Underdeveloped points are made with little understanding on how the key aspects and objectives of each sector will impact on consumers.
0	0 marks Little or no understanding of the public and private sectors of the UK economy.	0 marks Little or no attempt at application to the examples given in the question.	0 marks No analysis of the public and private sectors and how they impact on the public.

Indicative content:

The public sector of the economy is that part of the economy controlled and/or paid for by the government. It includes central, regional and local government; the Bank of England; public corporations such as the BBC and regulatory authorities such as Ofqual and Ofwat.

The government provides public goods and merit goods that the private sector is often unwilling or unable to provide. A profit cannot be made from public goods so the private sector will not supply them.

The private sector includes for-profit businesses (sole-traders, partnerships and limited companies), social enterprises and not-for-profit organisations including charities and societies.

The most fundamental difference between the public and private sectors is in their ownership. Private sector organisations are not owned by the government. Their ownership can be diverse, for example companies, such as ASDA and Sky are owned by shareholders, the NHS and BBC are owned by the government on behalf of the nation.

The aim of ASDA and Sky is to make a profit for their shareholders whereas the government, through the NHS and BBC, is generally concerned with welfare and the 'greater good'. This includes a commitment to provide better health care for UK citizens and a public information and entertainment service from the BBC.

Private sector businesses compete in markets to provide goods and services that will hopefully make them a profit. Their products, pricing strategies, promotional activities and general activities are carried out in a competitive environment attempting to attract customers, who therefore get a choice of products with varying quality that they can buy. This competitive environment encourages businesses like ASDA to keep prices low, and businesses like Sky to offer improved services, such as HD channels. Customers benefit from this competition, with plenty of choice, as long as they can afford the prices.

The cost of the goods and services provided by the government might be free at the point of use, for example there is no charge to see your GP, and in Wales prescriptions are free. However, these are funded through taxes and other government income so indirectly the public are paying for these, even if they don't use them.

Some services are provided by both the public and private sectors, for example the BBC and Sky, one financed through a TV licence and one through fees. Health care is also provided by the NHS free at the point of use and through private health care clinics for which fees are charged. For those individuals who can afford private health care they may receive a better quality of service.

Credit any other valid point.

2 (b)	Discuss the view that consumers in the United Kingdom would benefit if all goods and services were to be provided by the private sector. [20]		
Band	AO1 1ab	AO3	AO4 1c
	4 marks	8 marks	8 marks
3		6-8 marks The learner gives an excellent analysis of the arguments for the provision of goods and services in the UK and the impact on consumers. Key issues for both sides of the debate are discussed in detail with specific reference to public sector and private sector provision and the impact it has on consumers. The analysis will be balanced, well-developed and with a clear line of argument. Analysis will be supported by specific reference to the different types of goods and services that consumers demand. In-depth analysis is the key for this band.	6-8 marks The learner presents an excellent evaluation on whether all goods and services should be provided by the private sector. The evaluation is balanced and detailed and will focus on the key issues. The evaluation provides a broad range of arguments on both sides of the debate. Clear judgements are made with supporting statements to build an argument. An holistic evaluation will be offered with an overall conclusion.
2	3-4 marks The learner demonstrates good understanding of the consequences of goods and services being provided by the public and private sector. A clear understanding of the arguments for and against of the private sector providing all goods and services. The key effects on consumers are identified.	3-5 marks The learner gives a good analysis of the arguments for the provision of goods and services in the UK and the impact on consumers. A number of key issues for both sides of the debate are discussed with specific reference to public sector and private sector provision and the impact it has on consumers. The analysis will be uneven, with some well-developed ideas and others where the development is more limited. The analysis will mainly focus on one-side of the argument. Analysis will be supported by some reference to the different types of goods and services that consumers demand.	3-5 marks The learner presents a good evaluation on whether all goods and services should be provided by the private sector. The evaluation will include most of the key issues. The evaluation is reasonably well-balanced with some development on both sides of the argument. The learner makes judgements with some attempt to support their evaluation. The answer will contain a brief conclusion.

1	1-2 marks The learner demonstrates limited understanding of the consequences of goods and services being provided by either the public or private sector. The learner identifies some of the arguments for and against the private sector providing all goods and services. The learner makes an attempt to identify the key effects on consumers.	1-2 marks The learner presents a limited analysis of the arguments for the provision of goods and services in the UK and the impact on consumers. A limited number of issues are analysed. The analysis will focus on one-side of the argument. Superficial discussion on the impact that public or private sector provision will have on consumers.	1-2 marks The learner presents a limited evaluation on whether all goods and services should be provided by the private sector. The learner shows an awareness of some of the key issues but with limited development. Judgements are superficial and unsupported. The evaluation will be uneven and focus on one-side of the argument. Evaluation tends to be asserted rather than explained.
0	0 marks Little or no understanding of the consequences of goods and services being provided by the public and private sector.	0 marks Little or no analysis of the arguments for the provision of goods and services in the UK and the impact on consumers.	0 marks No meaningful evaluation on whether all goods and services should be provided by the private sector.

Indicative content:

Arguments in favour:

The public sector has to be paid for out of taxation therefore if all goods and services were provided by the private sector less tax would have to be raised, leaving consumers with more disposable income.

Because of competition between businesses the private sector is often considered to be less wasteful than the public sector as they are motivated to cut costs in order to increase profits. These savings may be passed on to consumers in the form of lower prices.

The public sector is subject to political control. As governments change ideas about the public sector change which can lead to a lack of continuity, whereas the private sector makes a profit by satisfying consumers' wants and needs and, as long as there is the prospect of making a profit, it will continue supplying goods and services. Nonetheless private sector businesses are still required to comply with government legislation in relation to their operations.

The private sector has access to capital markets so that many projects, which in the public sector might be starved of funds, are viable.

Private sector businesses offer consumers greater choice of goods and services than the public sector, which often offers little or no choice at all. Private sector businesses tend to be more innovative and are willing to invest in new projects if there is a reasonable chance that a profit can be made.

Arguments against:

If all goods and services were provided by the private sector there is likely to be under-consumption of some goods and services, e.g., health and education, because some consumers could not afford to pay for them.

The private sector will usually only invest if it can expect to make a profit in the short or medium term. This means that if interest rates are high they may be unwilling to invest. Also longer term projects, where returns are uncertain, often prove to be unattractive to the private sector, which is often accused of 'short-termism'.

It would be difficult to raise finance for some public investment, such as for road building as the private sector would only be interested if they could raise a toll which is often impractical and possibly undesirable. Therefore if there was no public sector consumers would suffer as investment on infrastructure declined.

The regulatory role of the government is considered to be essential in order to prevent unscrupulous businesses taking advantage of the public. If all goods and services were provided by the private sector without government regulation consumers could potentially suffer the consequences. For example it is essential to check the safety of toys in order to protect children.

In conclusion, most commentators agree that it is desirable to have some combination of both public and private sector provision of goods and services, although not all agree about the right balance.

Some feel that the public sector is too large and needs to be reduced, others would object to any cuts in the public sector.

Credit any other valid argument.

3 (a)	Explain how a manufacturer of breakfast cereals, such as Kellogg's, might use both above the line and below the line promotion to increase sales. [10]		
Band	AO1 1ab	AO2 1ab	AO3
	4 marks	4 marks	2 marks
3	3-4 marks Excellent understanding of both above and below the line methods of promotion. A clear understanding of the key aspects of both above the line and below the line promotion methods.	3-4 marks Excellent application of above the line and below the line methods of promotion that might be used successfully by a manufacturer of breakfast cereals. There is direct and specific reference to a manufacturer of breakfast cereals to support a given point.	
2	2 marks Good understanding of both above and below the line methods of promotion. Several key aspects of both above the line and below the line promotion methods are identified.	2 marks The learner demonstrates good and relevant application of above the line and below the line methods of promotion that might be used successfully by a manufacturer of breakfast cereals. There are several references to a manufacturer of breakfast cereals to support a given point.	2 marks A good analysis of the impact of the chosen promotional methods on increasing sales. The learner will explain how the different methods will help to increase sales.
1	1 mark Limited understanding of both above and below the line methods of promotion. Answers will lack a clear understanding of the differences between above the line and below the line promotion. Understanding is superficial.	1 mark The learner demonstrates limited application of the methods of promotion that might be used by a manufacturer of breakfast cereals. Answers may lack precision in terms of reference to a manufacturer of breakfast cereals. At least 1 example is applied to a manufacturer of breakfast cereals.	1 mark A limited analysis of the impact of the chosen promotional methods on increasing sales. Underdeveloped points are made with little understanding on how the promotional methods will impact on sales.
0	0 marks Little or no understanding of promotion.	0 marks Little or no attempt at application to a manufacturer of breakfast cereals.	0 marks No analysis of the promotional methods.

Indicative content:

Above the line promotion is advertising, it can be done through a variety of media.

Advertising is sometimes broken down into: informative advertising, persuasive advertising and reassuring advertising.

Kellogg's might use television, posters, newspapers and magazines. This is suitable as it covers a mass market, cereals are consumed by a great number of people. However, this form of advertising is expensive, it can increase costs and reduce profit margins. It must be effective in order to be successful.

Large multi-national businesses such as Kellogg's are likely to use a promotional mix to help target their customers. They have a strong brand identity and will use a mix of above the line promotional methods to ensure they achieve a wide coverage.

Below the line promotion includes such aspects as:

Public relations – press conferences, press releases, donations and sponsorship. Kellogg's may sponsor sports events in order to persuade people that their products are healthy. Good public relations will help to improve the image of Kellogg's which in turn may help to increase sales.

Merchandising – Kellogg's may give the stores special stands for their products or give the stores discounts if they display their products prominently. This would appeal to shoppers who could taste the products in store and then be persuaded to buy them.

Sales promotions – BOGOFs. Kellogg's may have toys in their cereal packets for children to collect or have competitions that children can enter. Children are an important market for cereal manufacturers and sales promotions may put pressure on parents to buy the cereal.

Direct mailing – Kellogg's might send out small packets of a new cereal in order to get potential customers to try them. This would be useful if Kellogg's are launching a new cereal and will help to create demand for the product and result in increased sales.

Packaging – Kellogg's will want to make their products eye-catching, as well as using packaging that keep their products fresh. There are many brands of cereal and having attractive packaging may make their brand stand out.

3 (b)	Discuss the view that, since advertising represents an attempt to persuade people to buy things that they do not need, it is fundamentally unethical. [20]		
Band	AO1 1ab	AO3	AO4 1c
	4 marks	8 marks	8 marks
3		6-8 marks The learner gives an excellent analysis on the ethics of advertising. Key issues for both sides of the debate are discussed in detail with specific reference to how advertising impacts on consumer behaviour. The analysis will be balanced, well-developed and with a clear line of argument. Analysis will be supported by specific reference to the different types of advertising undertaken for different products and services. In-depth analysis is the key for this band.	6-8 marks The learner presents an excellent evaluation on whether advertising is unethical. The evaluation is balanced and detailed and will focus on the key issues. The evaluation provides a broad range of arguments on both sides of the debate. Clear judgements are made with supporting statements to build an argument. An holistic evaluation will be offered with an overall conclusion.
2	3-4 marks The learner shows good understanding of business ethics. A clear understanding of the impact of behaving ethically/unethically for a business. A clear understanding of the link between advertising and ethics.	3-5 marks The learner gives a good analysis on the ethics of advertising. A number of key issues for both sides of the debate are discussed with reference how advertising impacts on consumers. The analysis will be uneven, with some well-developed ideas and others where the development is more limited. The analysis will mainly focus on one-side of the argument. Analysis will be supported by some reference to the different types of advertising undertaken for different products and services.	3-5 marks The learner presents a good evaluation on whether advertising is unethical. The evaluation will include most of the key issues. The evaluation is reasonably well-balanced with some development on both sides of the argument. The learner makes judgements with some attempt to support their evaluation. The answer will contain a brief conclusion.

1	1-2 marks The learner shows limited understanding of business ethics. The learner identifies some of the impacts of behaving ethically/unethically for a business. The learner makes an attempt to identify the link between advertising and ethics.	1-2 marks The learner presents a limited analysis on the ethics of advertising. A limited number of issues are analysed. The analysis will focus on one-side of the argument. Superficial discussion on the impact that advertising has on consumers.	1-2 marks The learner presents a limited evaluation on whether advertising is unethical. The learner shows an awareness of some of the key issues but with limited development. Judgements are superficial and unsupported. The evaluation will be uneven and focus on one-side of the argument. Evaluation tends to be asserted rather than explained.
0	0 marks Little or no understanding of business ethics.	0 marks Little or no analysis on the ethics of advertising.	0 marks No meaningful evaluation on the ethics of advertising.

Indicative content:

Arguments in favour:

Advertising does sometimes persuade people to buy things which can be positively harmful to their health. For example, tobacco advertising which had to be regulated because at one time cigarettes were sold on the basis that they were good for you! This was clearly unethical.

Other products are advertised where overconsumption can have negative effects on consumers, including alcohol and foods with high salt or sugar content. Even some so-called healthy foods, such as low-fat meals, have been found to have a high sugar content.

The manufacturers of alcohol and food products might argue that they do not wish people to overindulge in their products. Alcohol manufacturers, for instance, tell their customers to drink responsibly, however, this advice is often not heeded and it is difficult to believe that the companies involved are upset by this fact.

Advertising sometimes works by making people dissatisfied with themselves. For example, people are persuaded that they need to be thinner than is perhaps normal. This helps to sell slimming products but does not, in general, lead to people being happier, especially since these products tend to have only limited long-term results. There is certainly a question as to whether or not such advertising is ethical. Similar comments might be made about other products.

It can be argued that some advertisements are themselves unethical, for example using scantily clad women to sell products is felt by many people to be a form of exploitation that should be banned. The same might be said of adverts that use racial stereotypes.

The fact that advertising is so highly regulated demonstrates that without regulation much more advertising would be unethical.

Arguments against:

Whilst it is true that some types of advertising do try to persuade people to buy things that they could do without (persuasive advertising) many other types do not (informative advertising).

Without advertising customers would be unaware of the range of products on the market and businesses and their various stakeholders would suffer the consequences.

Advertising is now highly regulated by the Advertising Standards Authority (ASA) which ensures that adverts are responsible.

Many products which are advertised are of genuine benefit to consumers. Only a small proportion of products are actually harmful and consumers should be intelligent enough not to be persuaded by advertising.

It is often argued, e.g. by cigarette manufacturers, that advertising does not persuade people to buy the product itself, it just attempts to persuade them to buy one brand rather than another.

There is some debate as to the power of advertising. Can it really make people buy something that they do not need? Surely people have more sense than to buy something simply because they have seen it advertised. On the other hand if it does not work why do businesses spend millions of pounds a year on it? It must be effective or they would not spend the money.

In conclusion, whilst it might be argued that some advertising is unethical, advertising is now highly regulated by such organisations as the ASA, so that most adverts are responsible and do not make false claims. Much advertising aids consumers since it makes them aware of products and services which may be of benefit to them.

All other valid arguments should be rewarded.

4 (a)	Explain the factors which the owner of a restaurant is likely to take into account when deciding where to locate a new business. [10]		
Band	AO1 1ab	AO2 1ab	AO3
	4 marks	4 marks	2 marks
3	3-4 marks Excellent understanding of location factors for a new business. A clear understanding of the key location factors for a new business.	3-4 marks Excellent application of location factors to the location of a new restaurant. There is direct and specific reference to a new restaurant to support a given point.	
2	2 marks Good understanding of location factors for a new business. Several key location factors for a new business are identified.	2 marks The learner demonstrates good and relevant application of location factors to the location of a new restaurant. There are several references to a new restaurant to support a given point.	2 marks A good analysis of the impact of the key factors on locating a new restaurant. The learner will explain how the factors will affect the restaurant.
1	1 mark Limited understanding of location factors for a new business. A limited number of key factors are identified with limited reference to a new business. Answers will lack a clear understanding of the key location factors. Understanding is superficial.	1 mark The learner demonstrates limited application of location factors to the location of a new restaurant. Answers may lack precision in terms of reference to a new restaurant At least 1 location factor is applied to a restaurant.	1 mark A limited analysis of the impact of the key factors on locating a new restaurant. Underdeveloped points are made with little understanding on how the factors will affect the restaurant.
0	0 marks Little or no understanding of location factors for a new business.	0 marks Little or no attempt at application to a new restaurant.	0 marks No analysis of location factors.

Indicative content:

Key factors

Proximity to the target audience for the particular type of restaurant – this may depend on the affluence of the target market. If the restaurant is up-market and attempting to attract more affluent people then it needs to locate in an area that these people live or are willing to visit, if this is not right then it is likely they will not attract customers.

The surroundings – for an up-market restaurant a pleasant location, such as, beside a river, is likely to attract more customers. Fast food restaurants will need to be in more populated areas where there are similar hospitality outlets to ensure significant footfall to attract customers.

Accessibility – the location should be easily accessible, although for some up-market restaurants, people may be more willing to make a longer journey. Customers may expect off road parking facilities, or locating on a busy road will attract passing trade.

Size of the restaurant – there must be room for sufficient diners to spend their money to enable the restaurant to at least break-even. The restaurant will have fixed costs and variable costs, if the restaurant is too small it may not generate enough revenue to cover its fixed costs.

The cost of the property or lease plus other costs such as rates. Town centre properties are likely to be more expensive in terms of both rent and rates and so will need to command higher prices and/or higher turnover in order to make a profit.

Planning permission – the nature of the restaurant business may mean local residents may not want them locating near them, this may have a negative effect on the image of the restaurant in the locality.

Less important factors

Sources of ingredients, although for an up-market restaurant the proximity of high class suppliers might be an advantage. For most restaurants this would not be a major concern, as there will be plenty of suppliers who could deliver the produce.

Plentiful supplies of labour. Generally restaurants do not employ large numbers of people and in most areas there are a number of trained chefs, waitresses etc. Not as important in populated areas or fast food restaurants where the skill level and experience is not an important factor.

Any other relevant points.

4 (b)	Assess the view that, due to changes in technology, for the majority of businesses, location is no longer an important consideration. [20]		
Band	AO1 1ab	AO3	AO4 1c
	4 marks	8 marks	8 marks
3		6-8 marks The learner gives an excellent analysis of the impact of technology on business location. Key issues for both sides of the debate are discussed in detail with specific reference to the types of technology and how it has impacted on business behaviour and location. The analysis will be balanced, well-developed and with a clear line of argument. Analysis will be supported by specific reference to examples of different types of business activity and products and services. In-depth analysis is the key for this band.	6-8 marks The learner presents an excellent evaluation on the impact of technology on business location. The evaluation is balanced and detailed and will focus on the key issues. The evaluation provides a broad range of arguments on both sides of the debate. Clear judgements are made with supporting statements to build an argument. An holistic evaluation will be offered with an overall conclusion.
2	3-4 marks The learner shows good understanding of how changes in technology have impacted on business location. A clear understanding of how different technological developments have impacted on business location. The learner will identify several examples where technology has changed business behaviour and impacted on location. The learner will identify several examples where technology has not affected the location of businesses.	3-5 marks The learner gives a good analysis of the impact of technology on business location. A number of key issues for both sides of the debate are discussed with reference to the types of technology and how it has impacted on business behaviour and location. The analysis will be uneven, with some well-developed ideas and others where the development is more limited. The analysis will mainly focus on one-side of the argument. Analysis will be supported by some reference to examples of different types of business activity and products and services.	3-5 marks The learner presents a good evaluation on the impact of technology on business location. The evaluation will include most of the key issues. The evaluation is reasonably well-balanced with some development on both sides of the argument. The learner makes judgements with some attempt to support their evaluation. The answer will contain a brief conclusion.

1	1-2 marks The learner shows limited understanding of how changes in technology have impacted on business location. The learner identifies some of the different technological developments and how these have impacted on business location. The learner will identify at least 1 example where technology has changed/not changed business behaviour and impacted on location.	1-2 marks The learner presents a limited analysis of the impact of technology on business location. A limited number of issues are analysed. The analysis will focus on one-side of the argument. Superficial discussion on the impact that technology will have on business location.	1-2 marks The learner presents a limited evaluation on the impact of technology on business location. The learner shows an awareness of some of the key issues but with limited development. Judgements are superficial and unsupported. The evaluation will be uneven and focus on one-side of the argument. Evaluation tends to be asserted rather than explained.
0	0 marks Little or no understanding of how changes in technology have impacted on business location.	0 marks Little or no analysis of the impact of technology on business location.	0 marks No meaningful evaluation on whether technology has impacted on business location.

Indicative content:

Arguments in favour:

For some businesses this may be true. In recent years the internet has proved a useful marketplace which many businesses both new and old, have exploited to their benefit.

Instead of having expensive high street stores they can meet their customers' demands by having one or several large warehouses where goods can be sorted and despatched. The best example of this is probably Amazon which has no high street presence at all.

Banks and building societies whilst still maintaining a high street presence are increasingly using call centres, often in places like India, to deal with much of their business.

Information and communication technology has allowed many businesses to use such techniques as hot-desking and homeworking, which in turn allows greater flexibility as regards the location of the business. The increase in working from home means that fewer businesses need a central office in an expensive location such as the city of London.

It is often no longer necessary for co-workers to meet together physically. Meetings can be held over the phone, using phone conferencing or over the internet. One example is the music industry where it is no longer necessary to have a studio in one country as different parts of piece of music can be recorded in different locations and then electronically assembled elsewhere. Many other creative industries use similar production methods which allow them to be virtually footloose.

Changes in manufacturing techniques mean that some businesses are no longer tied to particular location. For example, furniture used to be manufactured close to its market because it was bulky and expensive to transport. Nowadays, thanks to the invention of flat pack furniture, it can be made virtually anywhere and transported cheaply and easily to its destination.

Arguments against:

For thousands of businesses having the correct location is still vital. For certain types of service industry, including many shops, restaurants, hairdressers, etc. it is essential that the business is located in a position that is convenient for customers with adequate parking, good bus routes etc.

For those manufacturing industries left in the UK location may also be important, either because they need to be near a source of raw materials, e.g., steelworks near a port, or near to their customers, e.g. bakers and milkmen.

A few industries, e.g. aluminium smelting, will need to be near a cheap source of energy such as a hydro-electric scheme in Scotland.

Other businesses may locate around certain hubs such as airports or where there is a nexus of similar businesses enjoying external economies of scale such as Silicon Valley in the US or the M4 corridor in the UK.

In conclusion, technology has certainly meant that for many businesses location is no longer such an important consideration but it is probably still not true of the majority of businesses which are tied to particular locations due to the nature of their business.

MAPPING GRID OF ASSESSMENT OBJECTIVES

	AO1 marks	Element	AO2 marks	Element	AO3 marks	AO4 marks	Element	Total marks	Quantitative skills marks
COMPONENT 1: Business Opportunities and Functions									
1	3	1ab	3	1a	0	0		6	0
2	1	1a	2	1a	0	0		3	0
3a	2	1a	0		0	0		2	0
3b	1	1a	1	1a	0	0		2	1
3c	1	1a	1	1a	0	0		2	1
3d	1	1a	1	1a	0	0		2	1
3e	1	1a	2	1a	0	0		3	2
4	2	1b	0		4	0		6	0
5	2	1ac	2	1a	0	4	1c	8	0
6a	4	1a	0		0	0		4	0
6b	2	1c	2	1c	4	4	1cd	12	0
7a	4	1abc	0		2	0		6	0
7b	2	1abc	2	1abc	4	4	1c	12	0
8	2	1b	2	1b	2	6	1c	12	0
Total	28		18		16	18		80	5
COMPONENT 2: Business Analysis and Strategy									
1	2	1a	2	1a	2	0		6	2
2a	0		3	1a	0	0		3	3
2b	0		2	1a	0	0		2	2
2c	0		1	1a	0	0		1	1
2d	0		0		3	3	1ac	6	0
3	3	1a	3	1a	3	5	1a	14	14
4i	0		2	1a	0	0		2	2
4ii	0		4	1a	0	0		4	4
4iii	0		6	1a	0	0		6	6
4iv	0		0		2	2	1ab	4	4
4v	2	1ac	0		3	3	1cd	8	0
5a	2	1ab	2	1ab	2	0		6	0
5b	4	1bc	2	1bc	2	0		8	0
5c	0		2	1b	2	6	1c	10	0
Total	13		29		19	19		80	38
COMPONENT 3: Business in a Changing World									
1a	2	1a	2	1a	0	0		4	0
1b	2	1bc	2	1bc	6	0		10	0
1c	2	1ab	2	1ab	2	6	1c	12	0
1d	2	1bc	2	1bc	4	4	1ac	12	0
1e	2	1abc	2	1abc	4	4	1ab	12	0
2a/3a/4a	4	1ab	4	1ab	2	0		10	0
2b/3b/4b	4	1ab	0		8	8	1c	20	0
Total	18		14		26	22		80	0
Total marks per series	59		61		61	59		240	43
Total marks as %	24%		26%		26%	24%		100%	18%
Range	24-26%		24-26%		24-26%	24-26%		100%	Min of 10%

MAPPING GRID OF CONTENT COVERAGE

Content	Amplification	Component 1	Component 2	Component 3
Enterprise	Explain the meaning of enterprise and SMEs			
	Explain how satisfying needs and wants can give opportunities to entrepreneurs			
	Identify business opportunities			
	Explain the role of the entrepreneur in creating, setting up, running and developing a business			
	Explain the financial and non-financial motives of entrepreneurs			
	Explain the characteristics and skills of entrepreneurs	Q5		
	Explain the importance of entrepreneurs and SMEs to the primary, secondary and tertiary sectors of the UK economy			
	Evaluate the impact of entrepreneurs and SMEs on businesses and the economy			
	Identify the various stakeholders who are affected by a business	Q8		
Business plans	Explain the purpose and main components of a business plan			
	Evaluate the importance of a business plan			
	Identify the main sources of information and guidance available to entrepreneurs			
Markets	Explain what is meant by a market and competition			
	Identify different types of market, including local/global, mass/niche, trade/consumer, product/service and seasonal			
	Analyse and interpret market data, including market size, market share and market trends			
	Explain what is meant by market segmentation			
	Explain how markets are segmented	Q1		
	Evaluate the importance and impact of segmentation to a business and its customers			
	Understand that different markets have differing degrees of competition, ranging from perfect competition to monopoly			
	Explain the features of perfect competition, monopolistic competition, oligopoly and monopoly and their impact on business behaviour			
	Understand the reasons why consumers sometimes need protection from exploitation from businesses			
	Explain what is meant by demand, supply and equilibrium			
	Understand the importance of demand and supply in the market			
	Explain the factors that lead to a change in demand and supply			
	Explain how a change in demand and supply can impact on price and quantity			
	Construct and interpret demand and supply diagrams			
	Understand the factors that cause the demand and supply curves to shift and the effect this has on equilibrium price and quantity			
	Analyse and evaluate factors which affect demand and supply and equilibrium			
	Understand the concept of price and income elasticity of demand (learners are not required to do calculations)			
	Explain the nature of inferior, normal and luxury goods			
Market research	Explain what is meant by market research			
	Explain the value of carrying out market research			
	Distinguish between primary and secondary market research			
	Distinguish between qualitative and quantitative data			
	Explain the different methods of primary and secondary research available to businesses			
	Explain the issues involved in selecting the most appropriate method of market research			
	Evaluate the use of the different methods of primary and secondary research			
	Interpret and evaluate quantitative and qualitative research			
	Explain what is meant by sampling			
	Explain the difference between random and quota sampling methods			
	Understand the need to avoid bias in market research			
	Evaluate the usefulness of sampling for a business and its stakeholders			

Content	Amplification	Component 1	Component 2	Component 3
Business structure	Explain the difference between the private and public sector			Q2 (a)
	Explain the aims of private sector businesses including survival, growth and profit			Q2 (a)
	Explain the aims of the public sector and its role in providing goods and services			Q2 (a) (b)
	Evaluate the roles of the public and private sectors in the provision of goods and services			Q2 (b)
	Explain the legal structure of different private sector business organisations including sole traders, partnerships, private and public limited companies			
	Explain what is meant by unlimited and limited liability			
	Explain the advantages and disadvantages of choosing different legal structures for a business			
	Evaluate the factors affecting the choice of the legal structure of a business			
	Explain the main features of not-for-profit organisations including social enterprises, charities, co-operatives and societies			
	Evaluate the importance and impact of the legal structure for the various stakeholders for a business			
Business location	Explain the factors that need to be considered when locating a new business			Q4 (a)
	Analyse these factors in relation to the needs of the business			
	Evaluate the choice of different locations for a new business			Q4 (b)
Business finance	Explain the sources of finance available to entrepreneurs and SMEs			
	Analyse the advantages and disadvantages of each source of finance			
	Evaluate different sources of finance available to entrepreneurs and SMEs			
Business revenue & costs	Explain what is meant by costs, revenue and profit			
	Identify costs to a business, including fixed, variable, semi-variable, direct, indirect/overhead costs and total costs	Q3(a)		
	Calculate revenue, costs and profit	Q3 (d) (e)		
	Interpret revenue, costs and profit calculations			
	Evaluate the impact of costs, revenue and profit on a business and its stakeholders			
	Explain what is meant by contribution			
	Explain what is meant by break-even			
	Calculate contribution and understand its application to the calculation of break-even	Q3 (b) (c)		
	Construct and interpret break-even charts, including the margin of safety			
	Illustrate on a break-even chart the effects of changes in costs and revenue			
	Analyse how changes in costs and/or revenue can affect break-even ('what-if' analysis)			
	Evaluate the usefulness of break-even to a business and its stakeholders			
Functions-Marketing	Explain the purpose of marketing and its importance to different types of business organisation in different situations			
	Explain what is meant by market orientation, product orientation and asset-led marketing			
The marketing mix	Explain what is meant by the marketing mix			

Content	Amplification	Component 1	Component 2	Component 3
Product	Explain what is meant by product, product portfolio, brand, unique selling point (USP) and differentiation		Q5 (a)	
	Evaluate the importance of having the right product(s) to a business and its stakeholders	Q7 (b)		
	Explain what is meant by the product life cycle			
	Explain the stages in the product life cycle			
	Explain what is meant by an extension strategy			
	Construct and interpret a product life cycle diagram including extension strategies			
	Evaluate the impact of extension strategies on a business			
	Explain the relationship between the product life cycle and cash flow			
	Analyse product life cycles and extension strategies for different businesses, products and markets			
	Evaluate the use of the product life cycle to a business and its stakeholders			
	Explain how the Boston matrix can be used to manage a product portfolio	Q7 (a)		
	Evaluate the use of the Boston matrix to a business and its stakeholders	Q7 (b)		
Price	Explain the different strategies used by businesses to determine the appropriate price for a product including penetration, skimming, cost-plus, competitive, psychological and contribution			
	Understand how different types of business organisations in different situations will use different pricing strategies			
	Evaluate the importance for a business of selecting the most appropriate pricing strategy	Q7 (b)		
	Evaluate the impact of pricing decisions on a business and its stakeholders			
Promotion	Explain what is meant by promotion			
	Explain the different above the line and below the line strategies used by businesses to promote their products			Q3 (a)
	Understand how different types of business organisations in different situations will use a range of different promotional strategies			Q3 (a)
	Explain the importance for a business of selecting the most appropriate promotional strategy			Q3 (a)
	Evaluate the impact of selecting the right promotional strategy on a business and its stakeholders	Q7 (b)		
Place	Explain what is meant by place			
	Explain the different distribution channels used by businesses			
	Explain what is meant by multi-channel distribution			
	Explain the importance for a business of selecting the most appropriate distribution channel/s			
	Evaluate the impact of selecting the right distribution channel/s on a business and its stakeholders	Q7 (b)		
Decisions about the marketing mix	Understand the importance of global marketing and global brands		Q5 (a)	
	Explain how the marketing mix will differ in different contexts including, local, national or global markets, goods or services markets, size of business, niche or mass markets and market structure			
	Evaluate the marketing mix in different contexts	Q7 (b)		
New technology	Explain how new technology is used in marketing, including the role of digital media, social media, e-tailing and m-commerce			
	Explain the impacts of new technology on existing businesses such as high street retailers			
	Evaluate the impact of new technology on the marketing activities of businesses and its stakeholders			Q4 (b)
Functions-Finance	Understand the role of the finance department			
Budgeting	Explain what is meant by a budget			
	Explain the purpose of budgets			
	Evaluate the use of budgets to a business and its stakeholders			

Content	Amplification	Component 1	Component 2	Component 3
Business finance	Explain the sources of finance available to established and large businesses and consider their appropriateness for different circumstances	Q4		
	Understand that sources of finance can be internal and/or external			
	Explain internal sources of finance including owner's capital, retained profit and sale of assets			
	Explain external sources/methods of finance including overdrafts, loans, share capital, venture capital, leasing, trade credit and debt factoring			
	Explain the advantages and disadvantages of different sources of finance to a business and the importance of choosing appropriate sources			
	Evaluate the impact of different sources of finance to a business and its stakeholders			
Cash-flow	Explain what is meant by cash flow			
	Explain what is meant by a cash flow forecast			
	Construct, calculate and interpret cash flow forecasts			
	Evaluate the impact of a cash flow forecast on a business and its stakeholders			
	Explain the causes of cash flow problems			
	Explain strategies by which a business can improve cash flow			
	Evaluate the strategies a business uses to improve cash flow problems			
The income statement	Explain the main components of a trading, profit and loss account (the income statement) and the way that it is constructed			
	Calculate gross profit and net profit			
	Evaluate ways in which a business could improve its profit			
Ratio analysis	Calculate and interpret gross and net profit margins			
	Evaluate the calculations of profitability ratios to assess the performance of a business			
Functions - HR	Explain the functions of the human resource department	Q6		
Changes in working practices	Explain what is meant by the flexible workforce including flexible hours, home working, part time, temporary, job sharing, multi-skilling, zero hours contracts and hot-desking			
	Explain the impact of new technology on working practices			
	Evaluate the impact of changes in working patterns on employees and employers			
Workforce planning	Explain what is meant by workforce planning			
	Evaluate the impact and importance to a business of having the correct numbers of employees with appropriate skills and experience			
Recruitment	Explain what is meant by the recruitment process			
	Explain what is meant by internal and external recruitment			
	Explain what is meant by job analysis, job description and person specification			
	Evaluate appropriate methods of selecting different types of employee for different types of job including interviews, work trials, testing, selection exercises and telephone interviews			
	Evaluate the importance of recruitment to a business and its stakeholders			
Training	Explain what is meant by training			
	Explain the role of training in developing appropriate skills			
	Explain the different methods of training including induction, on-the-job, off-the-job and apprenticeships			
	Evaluate the importance and impact of training for a business and its stakeholders			
Appraisal	Explain what is meant by appraisal			
	Explain different methods of appraisal including superior's assessment, peer assessment, self-assessment and 360 degree feedback			
	Understand how appraisal can benefit both the business and its employees			
	Evaluate the importance and impact of appraisal for a business and its stakeholders			
Workforce performance	Explain what is meant by workforce performance			
	Explain what is meant by labour productivity, absenteeism and labour turnover			
	Calculate and interpret labour productivity and labour turnover			
	Evaluate the importance and impact of workforce performance for a business and its stakeholders			

Content	Amplification	Component 1	Component 2	Component 3
Organisational design	Explain what is meant by organisational design			
	Understand what is meant by authority, responsibility, chain of command, span of control, delegation, hierarchy, centralisation and decentralisation, empowerment and delayering			
	Explain the characteristics of different organisational structures including hierarchical (flat and tall) and matrix structures			
	Explain the advantages and disadvantages of changing organisational structures and delayering			
	Evaluate the choice between empowerment and control of the workforce			
	Evaluate the appropriateness of different organisational structures to a business and its stakeholders			
Motivation	Explain what is meant by motivation and the benefits of a motivated workforce			
	Explain motivation theories including Taylor, Mayo, Maslow, Herzberg and expectancy theories			
	Evaluate the relevance of motivational theories and their importance to businesses			
	Explain financial methods of motivation including piece rate, commission, bonus, salary, profit sharing, share ownership and performance related pay	Q6 (b)		
	Explain non-financial methods of motivation including consultation, job design, job enlargement, job rotation, job enrichment, empowerment, team working and flexible working	Q6 (b)		
	Evaluate the appropriateness of various financial and non-financial methods of motivation for a business and its stakeholders	Q6 (b)		
	Evaluate the impact of a motivated workforce on a business and its stakeholders			
Management & leadership	Explain what is meant by management			
	Explain the functions and roles of management			
	Explain the advantages and disadvantages of management by objectives (MBO)			
	Explain McGregor's theory X and theory Y			
	Evaluate the importance of management to a business and its stakeholders			
	Explain what is meant by leadership			
	Explain different types of leadership styles including autocratic, democratic, paternalistic, bureaucratic and laissez-faire			Q1 (c)
	Explain the leadership theories of Fiedler and Wright and Taylor			Q1 (c)
	Evaluate the importance and impact of leadership for a business and its stakeholders			Q1 (c)
	Evaluate the appropriateness of various leadership styles and theories to different business situations			Q1 (c)
Employer/employee relationships	Explain what is meant by employer/employee relationships			
	Explain the duties and rights of employers and employees including contract of employment, health and safety, minimum wage and dismissal			
	Explain what is meant by equal opportunities			
	Evaluate the impact of equal opportunities on employers and employees			
	Explain the role of trade unions including collective bargaining, their advantages and disadvantages			
	Explain what is meant by employer and employee conflict including trade disputes and industrial action			
	Explain the resolution of disputes including negotiation, consultation and the role of ACAS			
	Evaluate the impact of employer/employee relations, conflict and resolution on a business and its stakeholders			
Functions – Ops man	Understand the nature of operations management in different types of business organisation			
Added value	Explain what is meant by added value	Q2		
	Calculate added value			
	Explain ways of increasing value added			
	Evaluate the importance of added value to a business and its stakeholders			

Content	Amplification	Component 1	Component 2	Component 3
Production	Explain the different methods of production including job, batch and flow Evaluate appropriate methods of production for businesses			
Productivity	Explain what is meant by productivity Understand ways of measuring productivity Explain ways in which productivity can be increased Evaluate the importance and impact of productivity for a business and its stakeholders Explain the concept of capacity utilisation Calculate and interpret capacity utilisation Evaluate the concept of capacity utilisation for a business and its stakeholders			
Technology	Explain how new technology can be used by businesses, including the use of information technology, CAD, CAM and robotics Evaluate the impact of new technology on the various stakeholders of a business Evaluate the importance and impact of technology in the operations of a business	Q8 Q8		Q 4 (b)
Lean production	Explain what is meant by lean production Explain the range of lean production practices that are used to reduce waste and improve productivity including kaizen (continuous improvement), just-in-time, cell production and time-based management Evaluate the importance and impact of lean production for businesses and their stakeholders			
Quality	Explain what is meant by quality Analyse the importance of quality to a business Explain the difference between quality control and quality assurance Explain the concept of total quality management (TQM) and the ways that it can be achieved including quality chains, empowerment, monitoring, teamwork, zero defects, quality circles and benchmarking Evaluate the importance of quality for a business and its stakeholders			Q1 (a)
Purchasing	Explain the importance of purchasing and working with suppliers Explain what is meant by stock control Understand the importance of controlling stock Explain methods of stock control including traditional stock control methods, just-in-time and computerised stock control Interpret stock control diagrams and explain the main components including re-order level, lead time, buffer stock and minimum stock level Evaluate the importance and impact on businesses and their stakeholders of holding too much or too little stock			
Research and development (R&D)	Explain what is meant by innovation, research and development Explain the process of product design and development Evaluate the costs and benefits of innovation, research and development for a business and its stakeholders			
Economies of scale	Explain what is meant by economies of scale Explain the different types of internal economies of scale Explain external economies of scale Explain how businesses benefit from the different types of internal and external economies of scale Explain reasons for internal diseconomies of scale Explain the problems caused by internal diseconomies of scale Explain the survival of small firms Evaluate the impact of economies and diseconomies of scale on a business and its stakeholders			

Content	Amplification	Component 1	Component 2	Component 3
Data analysis	Present, interpret and analyse data, including pie charts, histograms and index numbers			
Market analysis	Analyse quantitative and qualitative research data in order to better understand the position of the business in the market and the requirements of customers at present and in the future			
	Calculate price and income elasticity of demand			
	Interpret numerical values of price and income elasticity of demand			
	Evaluate the impact of changes in price and income on business revenue			
Sales forecasting	Explain what is meant by sales forecasting			
	Explain the usefulness of sales forecasting and the factors that can affect its reliability			
	Understand that sales forecasting includes quantitative and qualitative techniques			
	Calculate a three-point moving average		Q2 (a)	
	Create a scatter graph and a line of best fit		Q2 (b) (c)	
	Use extrapolation to predict future developments			
	Interpret information from time-series analysis			
	Understand that correlation can be positive, negative or non-existent			
	Evaluate the usefulness of time-series analysis for a business and its stakeholders		Q2 (d)	
	Explain qualitative forecasting techniques including, intuition, brainstorming and the Delphi method			
	Evaluate the advantages and disadvantages of using qualitative forecasting			
Analysing financial performance	Explain what is meant by a budget variance		Q1	
	Calculate budget variances		Q1	
	Analyse budgets and budget variances			
	Evaluate the use and impact of budgets and budget variances for a business and its stakeholders			
	Explain the main components of a balance sheet and the way that it is constructed			
	Explain what is meant by working capital, capital employed and depreciation			
	Calculate working capital, capital employed (long-term liabilities and shareholders' capital) and depreciation (the straight line method only)			
	Interpret and analyse a balance sheet			
	Calculate and interpret return on capital employed (ROCE)		Q3	
	Calculate and interpret the current ratio and acid test ratio		Q3	
	Calculate and interpret the gearing ratio (long-term liabilities/capital employed)		Q3	
	Analyse the trading, profit and loss account (the income statement) and the balance sheet in order to assess the financial performance of a business			
	Consider business accounts in relation to previous years and other businesses		Q3	
	Evaluate the financial position of a business		Q3	
	Understand that accounts can be affected by window-dressing and other factors, such as changes in demand and inflation			
Analysing non-financial performance	Explain how non-financial measures, including customer attitude surveys, employee attitude surveys, market share, productivity and a company's environmental record, can be used to evaluate performance			
Aims and objectives	Explain the role of vision statements and their relationship to a business's aims		Q5 (c)	
	Explain how objectives are used by a business in order to achieve its aims			
	Explain what is meant by SMART objectives			
	Explain the role of mission statements			
	Evaluate vision statements, objectives and mission statements and their impact on a business and its stakeholders		Q5 (c)	

Content	Amplification	Component 1	Component 2	Component 3
Strategy and implementation	Understand the relationship between objectives and strategy			
	Explain the meaning of strategy including corporate strategy, strategic direction, divisional strategy and functional strategy		Q5 (a)	
	Explain the relationship between strategy and tactics			
	Explain the purpose of corporate plans			
	Apply a SWOT analysis to a specific business			Q1 (b)
	Apply Porter's Five Forces framework to a specific business			
	Evaluate business strategy and corporate plans			
	Explain the nature and purpose of the Ansoff matrix		Q5 (b)	
	Apply the Ansoff matrix to different businesses		Q5 (b)	
	Evaluate the usefulness of the Ansoff matrix to businesses			
	Explain what is meant by horizontal and vertical integration			
	Explain the advantages and disadvantages of horizontal and vertical integration			
	Explain the difference between organic and external growth			
	Analyse the advantages and disadvantages of organic growth			
	Analyse the advantages and disadvantages of different methods of external growth including mergers and takeovers			
	Explain the nature and purpose of franchising as a method of growth			
	Evaluate different methods that businesses can use to achieve growth			
	Explain what is meant by rationalisation			
	Explain the factors that affect decisions about location/relocation and rationalisation			Q4 (b)
	Evaluate the impact of the choice of location/relocation and rationalisation on a business and its stakeholders			Q4 (b)
Decision-making models	Explain what is meant by outsourcing production			
	Evaluate the arguments for and against outsourcing production			
	Explain the types of decisions a business makes including strategic, tactical and operational			
	Explain the importance of decision-making to a business			
	Understand that decision-making tools can be scientific or intuitive			
	Explain the nature and purpose of decision tree analysis commenting on the benefits and limitations of the technique			
	Construct decision trees, interpret and evaluate the results			
	Explain the nature and purpose of critical path analysis (CPA), commenting on the benefits and limitations of the technique			
	Complete CPA diagrams, interpret and evaluate the results			
	Explain the nature and purpose of cost benefit analysis (CBA), commenting on the benefits and limitations of the technique			
	Carry out cost benefit analysis, interpret and evaluate the results			
Investment appraisal	Evaluate the advantages and disadvantages of using decision trees, CPA and CBA for business decision-making			
	Explain the key role played by information technology in business decision-making			
	Explain what is meant by investment appraisal			
	Explain the purpose of investment appraisal			
	Calculate and interpret the payback period of an investment in years and months		Q4 (i)	
	Calculate and interpret the average rate of return (ARR) of an investment		Q4 (ii)	
	Use discounted cash flow (DCF) to calculate and interpret the net present value (NPV) of an investment (discount factors will be provided and do not need to be calculated)		Q4 (iii)	
	Evaluate the advantages and disadvantages of the different investment appraisal methods to a business and its stakeholders			
Special orders	Evaluate the viability of investment options, taking into account both quantitative and qualitative factors, to make recommendations		Q4 (iv) (v)	
	Explain what is meant by special orders			
	Calculate contribution and advise on the appropriateness or otherwise of accepting special orders			

Content	Amplification	Component 1	Component 2	Component 3
Change	Explain the causes of change in business including a change in the size of the business, a change in ownership, developments in technology, market changes, consumer tastes, legislation, changes in the workforce and changes in the economy			
	Distinguish between internal and external causes of change			
	Distinguish between planned and unplanned change			
	Explain the effects of change on business including the need to change production methods and update equipment, need to develop new products, need to meet legal requirements, need to retrain the workforce and need to look for new markets			
	Explain the importance of managing change effectively			Q1 (c)
	Explain different approaches to managing change including Storey's four different approaches			Q1 (c)
	Explain why there may be resistance to change and ways of removing resistance including Lewin's three step process, changes in organisational culture and the role of leadership			
	Explain how the management of change can be evaluated			
	Evaluate the impact of change on a business and its stakeholders			
	Evaluate the importance of managing change effectively			Q1 (c)
Risk management	Identify the risks that businesses are likely to encounter, including natural disasters, failure of equipment/technology, employee error, supply problems, economic factors, legal challenges, public relations and product failures			
	Explain that some risks are more certain to happen than others and that this will affect the decision as to how much a business will be willing to spend on their prevention			
	Explain the importance of risk assessment as a tool for avoiding risks			
	Explain how some risks can be dealt with by preventative actions such as installing water sprinklers, backing up IT data and training employees			
	Explain the difference between insurable and uninsurable risks			
	Explain what is meant by contingency planning and crisis management			
	Explain ways in which businesses can use contingency planning to deal with risks that may affect their activities such as having contingency funds, alternative production arrangements, allocating responsibilities to managers/employees and dealing with public relations in the event of a crisis			
	Evaluate the possible responses of a business to the potential risks that it faces			
	Evaluate the importance of risk management and contingency planning to a business and its stakeholders			
PEST factors	Explain how political factors affect business activity			Q1 (d)
Political	Explain the role of the government in providing a stable framework in which businesses operate			
	Explain how businesses are affected by taxation and subsidies			
	Explain how fiscal and monetary policies affect businesses			
	Explain why governments legislate and regulate business activity			
	Explain the importance of the government as a purchaser of goods and services from the private sector			
	Evaluate the relationship between government and businesses			Q1 (d)
Economic	Explain how economic factors affect business activity			Q1 (d)
	Explain what is meant by economic growth and the business cycle and their measurement (GDP)			
	Explain what is meant by inflation including its measurement and causes			
	Explain what is meant by interest rates			
	Explain what is meant by exchange rates			
	Explain what is meant by unemployment			
	Evaluate the impact of the business cycle, inflation, interest rates, exchange rates and unemployment on businesses and their stakeholders			Q1 (d)

Content	Amplification	Component 1	Component 2	Component 3
Social	Explain what is meant by demographic change			
	Explain how demographic change and other social factors such as changes in consumer tastes, lifestyle and cultural changes affect business activity			Q1 (d)
	Evaluate the impact of demographic change on businesses and their stakeholders			
	Evaluate the impact of other social factors on businesses and their stakeholders			Q1 (d)
Technological	Explain how technological factors, including automation and communication technology affect business activity			Q1 (d)
	Evaluate the impact of technological factors on businesses and their stakeholders			Q1 (d)
Ethical	Explain the meaning of business ethics			Q3 (b)
	Understand the types of ethical issues a business will face including environmental, animal rights, treatment of workers, suppliers and customers			Q3 (b)
	Explain the meaning of corporate social responsibility (CSR)			
	Understand the possible conflict between ethics and profitability			Q3 (b)
	Evaluate the impact on the profitability of a business of having ethical objectives			
	Evaluate the ethical stance of businesses from the point of view of different stakeholders			Q3 (b)
Legal	Explain the main laws that concern businesses, including company law, employment and anti-discrimination law, consumer protection, competition policy and health and safety legislation, data protection, intellectual property and minimum wage (learners are not expected to have detailed knowledge of specific Acts of Parliament)			
	Evaluate the impact of legislation on businesses and their stakeholders			
Environmental	Explain the potential environmental costs of business activity including air, water and noise pollution, climate change, congestion, destruction of the environment and waste disposal			
	Explain how potential environmental costs can be controlled by government intervention, the influence of pressure groups and education			
	Explain how businesses can respond to environmental issues			
	Evaluate the impact of business activity on the environment			
	Evaluate the impact on a business of implementing environmentally friendly policies			
International Trade	Explain what is meant by international trade			
	Explain the reasons for international trade			
	Explain what is meant by free trade and protectionism (including tariffs and quotas)			
	Explain what is meant by a trading bloc and a single market			
	Evaluate free trade and protectionism to UK businesses and their stakeholders			
	Explain the challenges to UK businesses of developing new international markets for their products			
	Evaluate the decision of a business to develop new international markets for its products			

Content	Amplification	Component 1	Component 2	Component 3
Globalisation	Explain what is meant by globalisation			
	Explain the nature of globalisation and global markets, including developing markets			Q1 (e)
	Explain the factors that have contributed to globalisation including communication technologies, liberalisation of trade, Internet, cost of transportation and consumer tastes			
	Explain the effect of globalisation on businesses and their stakeholders including increased competition and opportunities for growth			Q1 (e)
	Explain the different strategies that businesses might use in order to achieve global growth including global branding, external growth and choice of target markets			Q1 (e)
	Evaluate the strategies that businesses use to achieve global growth			Q1 (e)
	Explain the benefits and difficulties for UK businesses of operating in global markets			Q1 (e)
	Explain how businesses adapt their products, marketing activities and working practices to reflect the local needs (glocalisation)			
	Evaluate the impact of globalisation on UK businesses and their stakeholders			
	Explain what is meant by a multinational company			
	Explain the reasons for the existence of multinational companies			
	Evaluate the decision of a business to operate as a multinational company			
	Evaluate the impact of multinational companies on the countries in which they operate			
The European Union	Explain the nature and purpose of the European Union (EU) and the single European market			
	Explain the impact of the EU on businesses including free movement of goods, labour and capital, legislation, regulations and standards			
	Evaluate the impact of the EU on businesses and their stakeholders			
	Explain what is meant by the single European currency (the euro) and the Eurozone			
	Evaluate the costs and benefits of the single European currency to businesses and their stakeholders			
	Evaluate the impact to UK businesses of being a member of the EU and the Eurozone			
	Evaluate the impact to UK businesses of not being a member of the EU and the Eurozone			