

Chapter 1: Business

Now test yourself answers

1.1 The role of business enterprise and entrepreneurship

Purpose of business enterprise and entrepreneurship

U 1 mark: Show how a company can meet a customer need. For example:

- Spotify met the needs of customers who wished to buy music online.

App 1 mark: Use information from the case study to explain how Spotify had met this need. For example:

- Spotify acquired the rights and developed the technology to stream music online.

An 1 mark: Show an effect or impact of the way in which Spotify met a consumer need on the company. For example:

- Spotify has grown hugely. / There are now 165 million subscribers.
- Spotify now has revenue of €7.85 billion.

Characteristics of an entrepreneur

Four ways of answering the question are shown. The statements under each Assessment Objective are written in the order they could be used to answer the question.

K 1 mark: Give any one of the characteristics that an entrepreneur can show. For example:

- creativity
- risk-taking
- determination
- confidence.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Use information from the case study to explain how James Dyson displayed the characteristic you chose to give. For example:

- Trying out different designs for bagless vacuum cleaners.
- Giving up his job to devote time to his design work OR putting his own money into the business.
- Persevering to try out over 500 designs.
- Being determined that one of his designs would be successful.

An 1 mark: Give an effect or impact of the change on the company. These statements show how the characteristics affected his business:

- The business had a new kind of vacuum cleaner which met a demand.
- The business had money to produce and sell the product.
- The business had a successful vacuum cleaner to produce and sell.
- The business had a new design for a vacuum cleaner to sell.
- His business has been very successful.

Risks and rewards of being an entrepreneur

1. (b) Feeling satisfied about making a success of starting a business.
2. Your answer must cover both a risk and a reward.

- *K* 1 mark: Give a definition of risk or reward. For example:
 - A risk is doing something which may or may not succeed, or the losses that may result from doing something.
 - A reward is the benefit or return for taking a risk.
- *U* 1 mark: Show understanding, giving examples of one possible risk or reward. For example:
 - Amelia risked money.
 - Amelia risked health.
 - Amelia could make a profit.
- *App* 2 marks: Use information from the case study to explain how Amelia took both a risk and earned a reward. For example:
 - The money Amelia risked was her savings.
 - Amelia took on the risk of a bank loan.
 - The risk to Amelia's health and happiness arose because of the long hours she had to work.
 - Amelia earned a reward by selling the business at a profit.
- *An* 2 marks: Show the impacts of the reward/risk on Amelia. For example:
 - The number of customers/the revenue/the sales of Amelia's business grew.
 - Amelia was better off financially after running the business.
 - As the owner of the business, Amelia ended up exhausted and stressed.
- *Ev* 1 mark: Make a judgement. For example:
 - Amelia was only partly successful. / The risks probably outweighed the rewards she made. / It depends on how badly her health was affected.
- *Ev* 2 marks: Justify your judgement (2 marks). For example:
 - Amelia's health worsened as she ended up exhausted and stressed and found she could not continue running the business. However, she was successful in that she was able to sell the business for more than she had paid so she would have been able to pay off her loan and add to her savings.

OR

- While Amelia made some money from running the business, if the effects on her health caused serious problems for her (for example, lasted a long time) then the rewards were not worth the risk.

1.2 Business planning

Purpose of planning business activity

U 1 mark: Show a clear purpose of business plans. For example:

- A plan should help to reduce the risk of failure. / It will make clear what steps are needed for the business to be successful.

Note: No application mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 2 marks: Understanding should be related to the case study. For example:

- Clear objectives have been set such as increasing membership/profitability.
- Strategies for increasing membership have been listed, such as the use of more benefits for members and making the golf course better.

Role, importance and usefulness of a business plan

1. *K* 1 mark: State a purpose of a business plan. For example:

- A business plan is designed to help a business succeed.

U 1 mark: Give an example of the information that a business plan will contain. For example:

- It should state clear objectives/ways of achieving its objectives.

2. *App* 2 marks: Using information from the case study, explain how the business plan of Dunning Golf Club would lead to a clear idea of how to achieve its objectives. For example:

- The plan will lead the club to the measures needed to improve the golf course.
- The plan would lead the club to identify the kinds of additional benefits it can offer.
- The plan will show how catering costs can be reduced.
- The plan will give clear direction to the club in terms of future priorities and how to finance changes.

An 2 marks: Show how the business plan strategies would impact on Dunning Golf Club. For example:

- An improved golf course should attract new members.
Additional benefits will increase sales of memberships.
- Lower catering costs may lead to lower prices in the canteen attracting members.
- Clear priorities and financing will give clear guidelines for the managers of the club to follow.

Ev 1 mark: Make a judgement. For example: Yes, no or it depends.

Ev 2 marks: Justify your judgement. For example:

- The plan as it stands does not give details of each of the measures it will take and so is not likely to be successful. For example, what additional benefits members will receive, and how much they will cost.
- It depends. If the plan shown is only a summary of the plan and SMART targets are also given for each aspect of the plan then, assuming these are appropriate, the plan will increase the chances of success.

1.3 Business ownership

Features of different types of business ownership

1. **(b)** The owners have limited liability.

2. a) *U* 1 mark: Give one advantage of partnerships. For example:

- A partner can provide extra finance.
- A partner can share the management of a business.

App 1 mark: Explain, using information from the case study, how the advantage would specifically help Aaron in the situation he is in. For example:

- Aaron/Albright Blinds needs additional finance to move production to a larger factory.
- Aaron is working very long hours at present so a partner may help to reduce his workload.

An 1 mark: Show the impact of the advantage on Aaron/Albright Blinds. For example:

- New investment will lead to increased output/sales/profits.
- Management of Albright Blinds may improve.

b) *U 1 mark:* Give one disadvantage of partnerships. For example:

- Taking on a partner can result in the loss of control of the business.
- A new partner may lead to disagreements in the business about should be done.

App 1 mark: Explain, using information from the case study, how the disadvantage would negatively affect Aaron in the situation he is in. For example:

- Disagreements with a partner could increase the strain rather than reduce it.

An 1 mark: Show the impact of the disadvantage on Aaron/Albright Blinds. For example:

- Management problems may increase.

c) *Ev 1 mark:* Make a judgement. For example: Yes, no, or it depends.

Ev 2 marks: Justify your judgement making reference to information in the case study and/or bring in information that will be relevant to it. For example:

- If Aaron wants the business to grow, the additional finance and expertise will be necessary; otherwise the business will be too much for him.
- It depends on whether Aaron is willing to sacrifice the growth in order to remain in complete control of the business he set up. This would be a choice between a simpler life/lower risks and extra income/profits.

Concept of limited liability

1. **(b)** The owner of a sole trader business has limited liability.
2. *U 1 mark:* Give one benefit to Wynten Logistics of becoming a limited company. For example:

- As owners, Dan and Barbara will now have limited liability.
- Wynten Logistics can sell shares to raise more finance.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Explain, using information from the case study, why the advantage is relevant to Dan and Barbara/Wynten Logistics Ltd. For example:

- Wynten Logistics Ltd has business loans and an overdraft which would put Dan and Barbara's private possessions at risk if they cannot repay these.
- Wynton Logistics Ltd relies on loans which could be changed into shares.

An 1 mark: Show the impact the advantage on Dan and Barbara/Wynten Logistics Ltd. For example:

- Reduced risk for owners would encourage investment from other investors in Wynton Logistics Ltd.
- Limited liability would make it easier to expand Wynton Logistics Ltd.

Suitability of different types of ownership in different business contexts

1. *U* 1 mark: Give one benefit a partner can bring to a business. For example:

- additional finance
- additional expertise.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Use information from the case study to explain why this benefit was relevant to Marks at the time. For example:

- Thomas Spencer had his own savings which he was willing to invest.
- Thomas Spencer was an experienced book-keeper.
- Thomas Spencer had many business contacts.

An 1 mark: Show the impact of taking on a partner/Thomas Spencer on Mark's business. For example:

- A more permanent market stall was opened. / Business growth was possible.
- The management of the company would have improved.
- The business would be able to deal with a wider range of suppliers/sell a wider range of goods.

2. *U* 1 mark: Give one benefit of becoming a public limited company. For example:

- Additional finance could be raised.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Use information from the case study to explain how this benefit was relevant to Marks & Spencer at the time. For example:

- Marks & Spencer needed additional finance as they were looking to open more shops.

An 1 mark: Show the impact of becoming a public limited company on Marks & Spencer. For example:

- Marks & Spencer was able to grow the number of shops it had. / Now has hundreds of shops and sells online in over a hundred countries.

1.4 Business aims and objectives

Aims and objectives of business

1. (c) A business cuts the wages of its workers.
2. 1c, 2d, 3b, 4a

How and why objectives might change as businesses evolve

U 1 mark x 2: Give one example of a business objective for each business. For example:

- Ron Crosbie Tyres – survival, providing a service or profit.
- Kwik Fit Tyres – profit or growth.

App 1 mark x 2: Use information from the case study to explain how your chosen business objective is relevant to each business. For example:

- Survival – Faced with the competition from larger business, Ron Crosbie needs to keep his business going.
- Providing a service – Providing a quality service has been a key objective for Ron Crosbie in running a successful business/the survival of the business/making a profit.
- Profit – Ron Crosbie needs to make a profit in order to finance his lifestyle.
- Growth – Kwik Fit has sought to expand in the UK and in Europe/increase the size of its business.
- Profit – Profit may be one objective behind the expansion of Kwik Fit in the UK/in Europe.

1.5 Stakeholders in business

Roles and objectives of internal and external stakeholder groups

1. (c) Workers at Next plc.
 2. a) K 2 marks: Choose two from these examples of internal shareholders:
 - shareholders
 - managers
 - workers.
- b) K 2 marks: Choose two from these examples of external shareholders:
- local community groups
 - residents
 - local workforce.

Effect of business activity on stakeholders

1. U 1 mark: Give an example of an external stakeholder relevant to Cuadrilla. For example:
 - local residents.

App 1 mark: Use information from the case study to explain why the stakeholder would be opposed to the drilling. For example:

- There would be a lot of disruption/noise/traffic in the area.
- The development could reduce property prices.

2. U 1 mark: Give an example of an internal stakeholder relevant to Cuadrilla. For example:
 - shareholders of Cuadrilla at Cuadrilla
 - employees of Cuadrilla.

App 1 mark: Use information from the case study to explain why the stakeholder may support the drilling by Cuadrilla. For example:

- Shareholders would earn more profit. / The value of their shares may rise.
- Workers would have more secure jobs. / There may be opportunities for promotion.

Effect of stakeholders on business

U 1 mark: Indicate what the local community stakeholders wanted to achieve. For example:

- Local community stakeholders did not want the drilling to go ahead.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Use information from the case study to explain the problems with the drilling by Cuadrilla that were presented by the local community. For example:

- The local community objected to the noise/safety problems that lorries going to and from the Cuadrilla drilling site at Roseacre Wood would cause.

An 1 mark: Show the impact of opposition from the local community on the business of Cuadrilla. For example:

- Cuadrilla was refused planning permission.
- Cuadrilla could not go ahead with its plans to extract gas at Roseacre Wood.

1.6 Business growth

Internal growth

U 1 mark: Give one reason why Apple has grown successfully. For example:

- research and development
- marketing activities.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Use information from the case study to explain how the reason you gave was put into practice by Apple. For example:

- Research and development led to new products such as the different models of the iPhone.
- Marketing has been very subtle, to focus the consumer's attention on the products.

An 1 mark: Show the impact on Apple of what you have described in your previous point. For example:

- Apple products are now very much in demand.
- Apple sales have grown hugely/to over \$94 bn.

External growth

1. (b) Disney the film-maker bought the cartoon animation company, Pixar.
2. (a) Forwards vertical integration: the brewery has taken over a business which will sell its beer to the consumer.
(b) Diversification: the bus company has taken over the fitness centres which are not connected in any way to its business.
(c) Horizontal merger: the two businesses are both retailers and are at the same stage in the process of production.
3. a) *K1* mark: match the type of integration with that described in the data, for example:
 - Backwards vertical integration,

U1 mark: Explain why you have chosen the type of integration that you have, for example:

- Because Tesco has joined with a business that supplies it with stock.

b) *U 1* mark: Give one benefit to Tesco of taking over a supplier, for example:

- Tesco can guarantee a supply of food to sell.

App 1 mark: Use information from the case study to illustrate how Tesco will benefit from the takeover of Booker, for example:

- As Tesco owns Booker, it will be able to ensure Booker sells stock to it rather than to other businesses it supplies.

An 1 mark: Show how this will impact on Tesco as a grocery retailer, for example:

- Customers will know that Tesco is likely to have food in stock which they can buy.
- Taking on a partner can result in the loss of control of the business.

Chapter 2: Marketing

Now test yourself answers

2.1 Role of marketing

Purpose of marketing within business

1. *K 2* marks: Write down any two of the purposes of marketing. For example:

- identify and understand customers
- informing customers
- increasing sales.

No explanation is needed in answering this question – it is an ‘identify’ question.

2. *App 2* marks: Use information from the case study to explain how marketing at Samsung was designed to achieve the two of purposes of marketing that you identified. For example:

- Research and development would lead to the development of new mobile phones / would help identify what kind of phones customers would want.
- TV advertising would make the information about Samsung products available to the customers.
- Increasing sales would be a result of the marketing activities if they were successful.

An 2 marks: Show how the marketing has affected Samsung. For example:

- New products, such as the Galaxy Z flip phones, have been designed to meet customer needs.
- Consumers must have received information as sales have increased.
 - Sales have more than doubled since the change in marketing in 2003.
 - Samsung is now in the top five electronics global brands.

Ev 1 mark: Make a judgement. For example:

- Marketing by Samsung has been very successful.

Ev 2 marks: A justification for your judgement should be made. Be precise about the justification and refer to supporting information in the case study. For example:

- Between 2009 and 2018, sales of Samsung products rose from \$119bn to \$218bn, showing that marketing has been successful. Also, the value of the company has risen, initially by 200% between 2003 and 2008, and by 2020, Samsung had become one of the top five electronics good producers in terms of the value of the company.

Note: One of these points – sales or value – would be sufficient to get the two justification marks but, if you are in doubt, it would be worth mentioning them both.

2.2 Market research

Purpose of market research

U 1 mark: Give one purpose of market research. For example, market research will:

- provide information about the target market
- identify potential customers
- identify the needs of potential customers
- identify where to locate a business
- identify the products or services and service customers want.

Note: No application mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Use information from the case study to explain what kind of information market research would provide that would help Dr Aspull to make a decision. For example:

- To find out if there will be enough customers to open the practice given the number of other dentists in Canterbury.
- To know the kinds of dental services she should focus on.
- To know where in Canterbury it would be best for her to locate her practice.
- To know what kinds of prices her customers will be able to pay.

An 1 mark: Give the impact of the market research on Dr Aspull's plans. For example:

- She will be able to make informed decisions about her dental practice business.
- She will minimise the risk of failure / increase the chances of the dental practice being successful.

Primary research methods

1. (a) primary research

2. *U* 1 mark: Give one benefit of primary market research. For example:

- Primary research will provide the RSPB with the views of customers.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Use information from the case study to explain why primary research would be useful to the RSPB. For example:

- The RSPB will gain a greater awareness of what services customers like and what they do not like.

An 1 mark: Show the impact of the primary research findings on the RSPB. For example:

- The RSPB will know which services it needs to improve.

Secondary research methods

1. *K* 1 mark: Give a simple, straightforward definition. For example:

- Secondary research involves using information that has already been created.

2. *U* 1 mark: Give one benefit of secondary research. For example:

- The Census will provide information about the population in the UK.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Use information from the case study to explain how the Census data will provide the information that Age UK needs. For example:

- The secondary data will show if there are enough older people in the Leamington Spa area to justify opening an advice shop there.

An 1 mark: Show the impact of the data from the Census on Age UK. For example:

- Age UK will be able to make an informed decision as to whether there will be enough demand for its services in Leamington Spa.
- The information should help Age UK to avoid wasting resources by opening an advice shop unnecessarily.

Appropriateness of different methods and sources of market research for different business purposes

1. *U* 1 mark: Give one benefit of to a business of using a focus group. For example:

- A focus group would involve fans / potential buyers coming together and having a discussion led by market researchers.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Use information from the case study to explain how the focus group discussion would relate to the strip Bolton Wanderers Football Club introduces. For example:

- The focus group would discuss what the design of the football strip might look like / give reasons for what they liked or did not like.
- The focus group would give feedback on any designs presented to them and the reasons why they liked or did not like them.
- The focus group would give the market researchers information about what they thought was a reasonable price to pay for a football strip.

An 1 mark: Show the impact of the market research on Bolton Wanderers Football Club and its plans for a new football strip. For example:

- Bolton Wanderers Football Club would produce a football strip that it knew its fans liked.
- Sales are likely to be strong as the strip would be what fans liked.

2. *U* 1 mark: Give one benefit the club would gain from using a questionnaire with a large number of fans. For example:

- The club would get the views of a large number of customers about the design of its football strip.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Use information from the case study to explain the benefit to the Football Club. For example:

- Bolton Wanderers Football Club would show which football strip most fans preferred / what price they would pay.

An 1 mark: Show the impact on the Football Club of the findings from the questionnaire. For example:

- The Club could be confident that it had designed a product that a large number of fans would want to buy.
- The club would be able to decide what price to charge buyers.

3. *Ev* 1 mark: Make a judgement. For example: either focus group, questionnaire or both.

Ev 2 marks: Refer to the case study for your justification. For example:

- As the Club has limited funds, bringing a small group of fans together in a focus group would be reasonably cheap, and the Club would know that the design created would be one that some fans liked.
- If the focus group was representative of a range of fans, it would be better because the design of the strip in the first place would be based on their ideas, and it would be more likely to be what they wanted.
- It would be reasonably cheap to email out a questionnaire to many fans and process the results. Asking a lot of fans for their views would be better because it would increase the chances that the strips would sell.
- The Club should use both (*judgement*) if it can afford it / if the two methods come within its budget. Several designs could be created from the focus group ideas and the questionnaire would then tell the Club which design the fans preferred overall and indicate the price that they were willing to pay.

Use and interpretation of qualitative and quantitative data in market research

U 1 mark: Give one benefit of qualitative data. For example:

- Qualitative data provides the views and opinions of customers or potential customers.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Use information from the case study to explain how qualitative data will be useful to the software company. For example:

- The software company can discuss with game players the kinds of things they like or don't like about different computer games.

- The software company can discuss ideas it has for a computer game and learn what the players of these games would want.

An 1 mark: Show the impact that qualitative data would have on the software company. For example:

- The development of new computer games can go ahead with confidence that players are likely to want to play / buy the game.
- The software company should make good sales.

2.3 Market segmentation

Use of segmentation to target customers

1. *K* 1 mark: Give a definition of the term market segmentation. For example:

- Market segmentation involves splitting the market into groups according to a particular feature or set of features.

U 1 mark: Give an example of how a market can be segmented. For example:

- A market can be segmented by income, gender, age, pet owners, parents of young children.

2. *U* 1 mark: Give one benefit of market segmentation. For example:

- Knowing its market segments will help a business meet the needs of different customers.
- Knowing its market segment will make its marketing more effective.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Use information from the case study to explain how Tesco uses its knowledge of market segmentation. For example:

- Tesco makes customers in a particular market segment aware of offers which those kinds of people may be interested in.
- Marketing messages about particular products are only sent to likely customers.
- Marketing messages that are not relevant to some customers are not hidden among a mass of marketing information.

An 1 mark: Show the impact of Tesco's use of its knowledge of market segments on its business activities or outcomes. For example:

- It will increase sales.
- Tesco's marketing will be more cost-effective.

2.4 The marketing mix

Importance of the '4 Ps' of marketing – product and stages of the product life cycle

U 1 mark: State the method used by Lego to extend its product life cycle. For example:

- Lego extended its life cycle by selling in a new market in China/Asia.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Use information from the case study to explain how Lego increased its sales in China/Asia. For example:

- Lego built new shops/a new factory so that it could extend the sales of its bricks in China and other Asian markets.

An 1 mark: Show the impact of strategy used by Lego on its business. For example:

- The sales and profits of Lego both increased in 2018, by four per cent.
- Sales in China grew by more than 10 per cent in 2019.

Importance of the '4Ps' of marketing – pricing methods

1. This guidance is for both questions, a and b:

K 1 mark: Give a straightforward definition of each pricing method. For example:

- Skimming is when a high price is charged when a product is introduced to the market, after which the price may be reduced.
- Penetration pricing is when a business charges a price for a product which is lower than that charged by competitors.

2. a) *U* 1 mark: Show one benefit of skimming to Apple. For example:

- Apple will get sales from customers who like to own new / high-tech phones.

Note: No application or analysis mark can be gained without understanding.
(Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Use information from the case study to explain how skimming would be relevant for Apple and its iPhone. For example:

- Apple can use skimming because the iPhone has improved technology compared to previous models.
- Apple can use skimming because the company is already large / has a very good reputation for technology (or for mobile phones).

An 1 mark: Show the impact of skimming on Apple from using it as a pricing method.
For example:

- Skimming will give Apple a high profit in the first months of selling the new iPhone.

b) *U* 1 mark: Give one benefit that penetration pricing will bring. For example:

- Penetration pricing can establish a product in a market.

Note: No application or analysis mark can be gained without understanding.
(Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Use information from the case study to explain how penetration pricing could be relevant to Apple. For example:

- There are already a number of competitors, such as Samsung and Huawei, who produce mobile phones.

An 1 mark: Show how penetration pricing would affect Apple. For example:

- Apple sales would rise.
- Consumers would switch to Apple from the other brands.

c) Ev 1 mark: Make a judgement. For example:

- Apple should use skimming / penetration pricing.

Ev 2 marks: Make a justification for the judgement which uses specific information from the case study. For example:

- Apple already has a reputation for the high quality of its goods, and people will be willing to pay the high prices so that they own the latest models. The business is already well-established in the market with a market share of 23.4 per cent so it does not need penetration pricing.
- Apple has several competitors already. By charging a lower price, the company would increase the number of buyers it already has who are then likely to continue to buy newer and more expensive Apple models when they are introduced in the future.

Importance of the ‘four Ps’ of marketing – promotion: point of sale and advertising

U 1 mark: Give a benefit to RSSC of advertising its cruises in the *Telegraph* newspaper. For example:

- By advertising in the *Telegraph*, RSSC will be giving information to its target market about its cruises.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Use information from the case study to explain how RSSC would benefit from advertising in the *Telegraph* newspaper. For example:

- RSSC’s target market is older, wealthier people, and these kind of people might buy the *Telegraph*.

An 1 mark: Show the impact of advertising in the *Telegraph* on RSSC. For example:

- RSSC’s advertising will lead to sales of its product.
- RSSC’s advertising will be cost-effective.

The importance of the ‘4Ps’ of marketing – place: distribution of products and services

This guidance is for both questions, 1 and 2:

U 1 mark: Give a benefit of selling directly to the retailer / to the wholesaler. For example:

- By selling directly to the retailer, Dulux will sell large quantities.
- By selling to the wholesaler, Dulux will sell large quantities.
- By selling to wholesalers, Dulux does not need to deal with a lot of small retailers.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Use information from the case study to explain how this benefit will apply to Dulux. For example:

- B&Q is a very large, national retailer. / B&Q has many customers.

- Dulux does not have to market its products to small retailers. / It does not have to send sales representatives to the small retailers. / It only needs to send sales representatives to the wholesalers.
- The wholesaler breaks bulk by selling to a large number of small retailers.

An 1 mark: Show the impact that selling directly to retailers will have on Dulux. For example:

- Dulux will have lower costs / higher profit margins by selling directly to large retailers.
- The sales of Dulux paints will be high by selling to wholesalers.

How the '4Ps' of the marketing mix work together and Use of the marketing mix to inform and implement business decisions

K 1 mark: Make a statement about how the rise in prices will affect income. For example:

- Inflation causes real income to fall.

U 1 mark: Show how this change could affect sales. For example:

- A fall in real income means that consumers will not be able to buy as much as they did / buy as much from the supermarkets like Tesco.

App 2 marks: Referring to the case study, give a few suggestions about how the supermarkets/Tesco might change the marketing strategy. One way of doing this would be to refer to some of the 4Ps. For example:

- Tesco could reduce the prices of its existing range so that lower income customers can afford to buy its products.
- Tesco could introduce a range of lower quality and lower priced groceries.
- Tesco could target marketing at lower income consumers through the use of social media so that they are aware of what Tesco offers.

An 2 marks: Show how the change in marketing you discussed may impact Tesco as a business. For example:

- Lower prices should increase sales / profits may fall.
- The extended range should increase / maintain sales at Tesco supermarkets among customers whose income has fallen.
- The targeted advertising should increase sales at Tesco / should increase the number of Tesco customers.

Ev 1 mark: Make a judgement. For example:

- The change in the real income of consumers could have a major effect on marketing at Tesco.
- The effect on marketing at Tesco will depend on how much real income falls / the rate of inflation.
- Whether Tesco should change its marketing will depend on the extent to which its customers are affected by the fall in real income.

Ev 2 marks: Make a justification for your judgement. For example:

- The existence of strong competition from the value supermarkets, Lidl and Aldi, means that Tesco would lose customers as a result of the fall in real incomes. Tesco would need to respond to these price changes and the increased threat to its sales and profitability.
- If the price rises and the loss of real income are only short-term issues, Tesco does not need to drastically change its marketing as sales will pick up after a short time.

However, if the price rises are very high or are expected to last a long time, Tesco should make significant changes to its marketing to avoid losing business.

- The fall in real income may not affect many of the current Tesco customers if it largely affects the less well-off people in society. There are predictions that overall consumer spending would increase in 2022, suggesting that many consumers will be able to continue to afford higher quality, higher priced goods.

Interpretation of market data

1. *K* 2 marks: List two uses for market data. For example:

- knowing the target market / who the customers are
- knowing about changes in demand
- knowing how the market is shared between existing businesses
- knowing the products that are sold in the market
- knowing the effectiveness of promotion.

2. *U* 1 mark: Give one benefit to businesses which can result from knowing data about the market. For example:

- Information about the market will be a guide to a business in terms of the products they can sell / prices they should charge.

Note: No application mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 2 marks: Use information from the case study to explain how the data will be useful to Jack. For example:

- As Jack knows the potential customers in Nantwich are well-off, he will know that they are likely to be willing to pay high prices for high-quality fruit and vegetables.

3. *U* 1 mark: Give one example of other market data that would be useful to Jack. For example:

- information about the number / market shares of other existing traders selling vegetables
- information about competitors.

Chapter 3: People

Now test yourself answers

3.1 Role of human resources

The purpose of human resources in business

K 2 marks: State two relevant factors. For example:

- what the business makes
- how much it produces
- when production takes place
- what jobs needed to be done
- how much the business has to spend on workers.

3.2 Organisation structures and different ways of working

Different organisational structures

1. *U* 1 mark: Vauxhall uses a tall organisation structure. Benefits include:

- clear lines of communication
- opportunities for people to gain promotion
- each manager will have a small number of people they deal with directly
- managers have clear areas of responsibility.

App 1 mark: Explain how the benefit you are writing about would be achieved at Vauxhall. For example:

- The Managing Director can deal with the Plant Director at Luton to discuss problems at that plant.
- The Plant Director will know which department leaders and members to communicate with for matters concerning any particular department.

An 1 mark: Show the impact that this benefit will bring to Vauxhall. For example:

- Good communication will lead to clear decisions / actions to be implemented.
- Vauxhall will be an efficient business.

2. *U* 1 mark: Give one benefit to a business of using a flat structure. For example:

- Workers are usually well-motivated.
- Flat organisation structures are good for generating ideas.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding).

App 1 mark: Explain how the benefit you are writing about will be achieved at Valve. For example:

- Workers at Valve can contribute to the design of games they are interested in.

An 1 mark: Show the impact that this benefit will bring to Valve. For example:

- Motivated workers will be likely to produce good computer games for the company.
- Motivated workers will improve the creativity of Valve / will create new games.

Terminology of organisation charts

1. K 1 mark: Write down a definition of the term span of control. For example:

- The span of control is the number of subordinates a manager is responsible for.

App 1 mark: Using information in the case study, apply the term to Myiesha in the case study. For example:

- Myiesha has a span of control of five (the buyer and four shop assistants).

2. K 1 mark: Write down a definition of the term delegation. For example:

- Delegation is the power of a manager to ask / tell a subordinate to do a specific job.

App 1 mark: Using information in the case study, show how delegation takes place at J.J. Jewellery. For example:

- The production manager, Vafi Oman, can give specific jobs to each of the production assistants he oversees.

Why businesses have different organisational structures

1. (b) All organisation structures are tall.

2. U 1 mark: Give a benefit of organisation by place. For example:

- The benefit of organisation by place is that it makes it easier to control production in the local regions.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Explain why this benefit will apply to Coca-Cola. For example:

- Coca-Cola produces its drinks in many different regions of the world, which will have different laws and cultures.
- Coca-Cola organises by place as it is easier to coordinate the local supply of ingredients / the operations in the company's plants.

An 1 mark: Show how organisation by place will have an effect on Coca-Cola. For example:

- Coca-Cola will be less likely to create problems for itself by not taking notice of local laws and culture.
- The production of Coca-Cola will be more cost-effective.

Ways of working

1. 1 U 1 mark: Write about one possible benefit to a business of workers working at home rather than in their offices. For example:

- The business does not need as much office space.
- Many companies have found workers were as productive, or even more productive, when they worked at home.

App 1 mark: Use information that is in the case study to explain how this benefit applies to Denton Gates. For example:

- Denton Gates was able to shut down part of its offices during the time of the COVID-19 pandemic.

- John Chilton found he could focus better on report writing when at home. / He spent more time working and less time travelling.

An 1 mark: Show how the benefit would affect Denton Gates. For example:

- Denton Gates would reduce their costs.
- Increased productivity of sales representatives will mean more sales for Denton Gates.

2. *U 1 mark:* Give one possible disadvantage to a business from workers not being in their offices / one problem if workers are working from home. For example:

- Workers may not communicate with each other.

App 1: Use information that is in the case study to explain how the disadvantage applies to Denton Gates. For example:

- Denton Gates sales representatives will not meet up formally or informally to exchange ideas and experiences, which could help them to make sales.

An 1 mark: Show how the disadvantage would affect Denton Gates. For example:

- Denton Gates may lose sales.

3. *Ev 1 mark:* Make a judgement. For example:

- Denton Gates should/should not let the sales representatives continue to work at home.
- Denton Gates should allow hybrid working.

Ev 2 marks: Make a justification for the judgement. For example:

- John has shown that he can work efficiently and productively at home. Denton Gates could overcome the communication problem by having regular Zoom or Teams meetings. Sales will be good but Denton Gates will benefit from lower office costs.
- Denton Gates should make the sales representatives return to the offices as the communication will help them to sell more products and this is their main job. The additional revenue that results from this should pay for the office costs they might otherwise have saved.
- Hybrid working will be best for the workers, as they will do more work by saving time on travel but will also still benefit from the meetings on those days they are required to be in the office.

3.3 Communication in business

Ways of communicating in a business context

1. *K 1 mark:* State one method of communicating with consumers who buy online. For example:

- advertise on a website
- message through social media/Facebook/Instagram.

2. *U 1 mark:* Show understanding by clearly indicating a benefit of text messages. For example:

- The text message will be received immediately.
- Text messages can be sent to all members in a group.

Note: No application mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Explain why this benefit was particularly useful in the case of the double-glazing business. For example:

- The message is urgent as the sales team members need to know that day that the time of the meeting has been changed.
- It is important that all members of the sales team receive the message as they all need to know that the time of the meeting has been changed.

3. *U* 1 mark: Give one benefit of a formal meeting. For example:

- In a formal meeting it is possible to check that everyone understands what has been set.
- People can make their ideas clear in a formal meeting.
- A formal meeting will stress the importance of it.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Explain how the benefit will be achieved in practice at the meeting between the manager and the employee. For example:

- The manager at LV can check that the employee understands the targets that have been set / can explain targets fully and clearly so that the employee understands them and the employee can ask questions.
- The manager and the employee will be able to discuss any problems that exist for getting the work done.
- The manager and the employee can discuss ways of improving performance together.
- The formality of the meeting will emphasise to the employee the importance of the targets.

An 1 mark: Show the impact of the formal meeting on LV. For example:

- Workers who have been set clear targets are more likely to perform well.
- LV will increase sales.

Importance of business communications

1. **(d)** The business would need to communicate with the government to obtain permission to increase output.

2. *U* 1 mark: Give one benefit to a business of communicating with its customers. For example:

- Communication is a way of telling customers what the business has to sell / persuading them to buy.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Explain how the benefit will be achieved by The Entertainer. For example:

- The Entertainer needs to advertise what it sells in the lead-up to Christmas so that customers know what is available.

An 1 mark: Show the impact that the communication will have on The Entertainer. For example:

- The communication should increase the sales of toys at The Entertainer.

Influence of digital communication on business activity

1. 1 *K* 1 mark: Give a straightforward definition of the term 'digital communications'. For example:

- Digital communication is the sending of text messages / voice messages / video through electronic media.

2. *U* 1 mark: Show how businesses are able to communicate things digitally. For example:

- Businesses can communicate with consumers.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Explain how Netflix has been able to operate as a streaming service. For example:

- Netflix, for example, has been able to sell to 222 million customers around the world.

An 1 mark: Show the impact that digital communications has had on businesses like Netflix. For example:

- Netflix and other streaming service have experienced significant growth as a result of the development of streaming services.

3.4 Recruitment and selection

Why businesses recruit

1. **(b)** The business needs to cut costs.

2. *U* 1 mark: Give a reason why Hackney Council needs experts. For example:

- Organisations need cyber-security experts so that they can provide ICT protection.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Using examples from the case study, illustrate why cyber-security experts are needed. For example:

- Criminal attacks cost Hackney Council £10 m.
- Cyber-security experts are needed at Hackney Council to prevent attacks or reduce the number of damaging attacks.

An 1 mark: Show the impact that employing the cyber-security experts would have on Hackney Council. For example:

- In the long term, Hackney Council would reduce costs.
- Hackney Council would avoid the disruption of its services.

Use of different recruitment methods to meet different business needs

1. 1 *U* 1 mark: Show that you can give a possible benefit of person specification. For example:

- A person specification makes clear the personal qualities, qualifications and skills needed by people who do a job.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Using information from the case study, show how the benefit would be relevant to Aldi. For example:

- Potential applicants for the manager's job would know the qualities they needed to evidence if their application was to be successful.
- Aldi would be clear about the type of person they needed to appoint.

An 1 mark: Show the impact that using a person specification would have on Aldi. For example:

- Aldi would be better able to shortlist the candidates with the appropriate experience, skills and qualifications.
- Aldi would not waste time interviewing candidates who did not have the appropriate skills.
- Aldi would be more likely to select someone who was able to do the job.

2. *U* 1 mark: Give one benefit of recruitment websites. For example:

- A lot of people look at recruitment websites when searching for jobs.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Using information in the case study, explain how Aldi will experience this benefit. For example:

- As Aldi need to recruit a number of shop assistants, this will be a good way to attract a large number of applicants.

An 1 mark: Show the impact of the benefit on the business of Aldi. For example:

- Aldi will be able to recruit sufficient shop assistants to open the shop successfully.

Methods of selection

U 1 mark: Give one benefit of using interviews in a selection process. For example:

- Interviews are good for judging the personal and communication skills of the applicants for a job.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Using information from the case study, explain how the interview would help Aldi in the selection of a new manager. For example:

- Aldi could ask questions about how the manager would deal with problems caused by staff.

An 1 mark: Show the impact that the benefit of interviews would have on Aldi. For example:

- Aldi would be able to appoint a manager who would run the new store efficiently so that customers would be happy to use it.

3.5 Motivation and retention

Financial methods of motivation

1. (b) A bonus system.

Non-financial methods of motivation

1. *U* 1 mark: Show that you understand how an award can motivate workers to perform well. For example:

- An award can make a worker feel that their work is valued.

Note: No application mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Show how an award scheme would work in a care home setting such as Daffodil House to motivate workers. For example:

- Daffodil House makes all workers aware of good work done by one worker through giving certificates and stories on its company website.

2. *U* 1 mark: Give one disadvantage to a care home of using an award scheme. For example:

- Awards may cause problems among staff. Workers who do not get awards may become demotivated.
- Workers may feel that awards are being used instead of paying them fairly.

Note: No application mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Using information from the case study, show how the disadvantage would apply in the context of a care home. For example:

- A worker who feels that their good work has not been recognised may become demotivated / may become resentful of other workers.

Importance of employee motivation *and* Importance of employee retention

K 1 mark: Explain what is meant by retention. For example:

- The retention of workers is when they stay with the business for a long time.

U 1 mark: Give one benefit or one problem of the retention of workers. For example:

- A benefit is that the business will save time / money recruiting workers.
- Training costs will be lower.
- The firm will have a good reputation for keeping workers.
- Customers will build up relationships with staff.
- There is no need to retain workers if there is no work for them to do.

App 2 marks: Using information in the case study, explain why the retention of staff can be important or can be a problem for a business. For example:

- Belle Hair employs a lot of qualified hairdressers who work all year round.
- Belle Hair has regular customers who like to be treated by particular staff.
- Belle Hair employs 76 fully trained hairdressers.
- Blossom Farm only employs extra farm workers for two months per year. Outside harvest time, there would not be a lot of work for them to do.

An 2 marks: Show the effects or impacts of the issue/change on the company. For example:

- Belle Hair will maintain sales by retaining staff.
- Belle Hair will minimise training costs by retaining staff.
- Blossom Farm would increase costs if it employed the extra farm workers all year round.

Ev 1 mark: Make a judgement. For example:

- The retention of workers will be more important at Belle Hair.

Ev 2 marks: Justify your judgement. For example:

- Belle Hair is successful because it has built up regular clients who prefer to be treated by particular hairdressers and its services are needed all year. Blossom Hill does not need the extra farm labourers for most of the year and retaining them would reduce the profits of the business or cause it to make a loss.

3.6 Training and development

Different training methods

Advantage of on-the-job training:

U 1 mark: Give one advantage of on-the-job training. For example:

- Training will be specific to the business.
- The trainee does not need to travel to courses.
- The worker produces whilst training.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Using information from the case study, explain how the advantage is relevant to the Queen Street Garage. For example:

- The garage already has fully qualified mechanics who could do the training.
- The training would teach the apprentice the ways of working that Queen Street garage has found to be successful.
- The training could stress the importance of honesty/quality.
- The training would be done at the garage by the qualified mechanics.
- The garage would not have to pay for a college or training organisation.

An 1 mark: Show the impact that on-the-job training could have on Queen Street Garage. For example:

- The garage would save on training costs.
- The garage could be confident it would maintain the quality of service that has made it successful.

Disadvantage of on-the-job training:

U 1 mark: Give one disadvantage of on-the-job training. For example:

- Some work done while training may not be of a very good standard.
- There is no guarantee the trainers will do a good job.
- Trainers are not able to their normal job fully.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Using information from the case study, explain how the disadvantage is relevant to the Queen Street Garage. For example:

- During training, the apprentice may not be able to match the quality normally provided by the garage.
- The fully qualified mechanics may be good at their job but find it difficult to train someone else how to do the job.
- The mechanics will spend time training and reduce the time spent doing jobs.

An 1 mark: Show the impact that on-the-job training could have on the garage. For example:

- Poor quality work may cause the garage to lose customers.
- Poor training may mean the garage wastes time and money.
- The garage may not be able to deal with as many cars as it used to because fully qualified mechanics are training others instead of working.

Why businesses train their workers

1. **(c)** To help them to move on to other companies.
2. *U 1 mark:* Give one advantage of training to Homebase. For example:

- Workers will gain knowledge/skills.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Using information from the case study, explain how the advantage is relevant to Homebase. For example:

- The sales assistants at Homebase need knowledge about plants so they can advise customers.

An 1 mark: Show how the advantage would affect Homebase. For example:

- Homebase should increase sales.
- Customers will return to Homebase to buy more plants in the future.

Staff development

1. *K 1 mark:* Give a definition of staff development. For example:

- Staff development is the long-term learning programme.

U 1 mark: Show understanding by illustrating some aspects of staff development. For example:

- Staff development can develop general skills as well as skills specific to a particular job.
- Staff development can involve apprenticeships and further learning.

2. *2 U 1 mark:* Give one advantage of staff development. For example:

- Staff development provides a general education as well as developing specific work skills.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Explain how the advantage is relevant to The White Horse Inn. For example:

- Ryan has developed as a chef and then as a manager.

An 1 mark: Show how the advantage would affect the business. For example:

- The White Horse Inn has a manager who can run the business effectively.

Benefits to employees and businesses of staff development

U 1 mark: Give one advantage of an apprenticeship scheme. For example:

- Training apprentices can help to overcome staff shortages.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Explain how the advantage is relevant to Gledditch Jewellery. For example:

- Nine out of the twenty Gledditch Jewellery employees went through its apprenticeship scheme.
- Gledditch Jewellery has been able to replace skilled workers as they leave.

An 1 mark: Show how the advantage would affect the business. For example:

- Gledditch Jewellery has the staff to deliver high quality services that customers want.

3.7 Employment law

Impact of current legislation on recruitment and employment

U 1 mark: Give one legal problem that businesses can face. For example:

- Firms must obey the laws concerning equality covered in the Equality Act 2010.
- Firms must not discriminate on the grounds of ethnicity, gender, sexual orientation etc.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Explain how Richemont faced a legal problem. For example:

- Cheryl Spragg was able to provide evidence in court of racial discrimination / harassment.

An 1 mark: Show how the legal problem would impact the business. For example:

- Richemont had to pay compensation because it had broken the law / allowed some of its workers to break the law.
- Richemont could gain a poor reputation for employment creating recruitment problems.

Chapter 4: Production

Now test yourself answers

4.1 Production processes

Different production processes and their impact on business

1. *K* 1 mark: Give a straightforward definition of flow production. For example:

- Flow production is the continuous production of one production.

U 1 mark: Show understanding by giving an example of flow production. For example:

- It usually involves production on an assembly line.

2. a) *U* 1 mark: Give one advantage of job production. For example:

- Job production will produce high quality, one-off goods.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Explain how the advantage is relevant to Adam Ansels. For example:

- Adam Ansels takes photographs of individual families and children, so each shoot is a one-off production.

An 1 mark: Show how the advantage would affect Adam Ansels. For example:

- Customers will want to buy from Adam Ansels as they know they will get the type of photograph they want.

b) *U* 1 mark: Give one disadvantage of job production. For example:

- Job production is expensive.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Explain how the disadvantage is relevant to Adam Ansels. For example:

- Adam Ansels spends a lot of time working on each photograph.

An 1 mark: Show how the disadvantage would affect Adam Ansels. For example:

- Adam Ansels must charge a high price for his photographs to cover his costs, and this may restrict the number of customers.

Influence of technology on production and the impact on business

1. *U* 1 mark: Give one advantage of automation. For example:

- Automation can reduce costs.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Explain how the advantage is relevant to Manchester Airport. For example:

- Manchester Airport deals with the baggage of over six million passengers each year. This would require a huge number of baggage handlers if it used a completely manual system.

An 1 mark: Show how the advantage from automated baggage handling would affect Manchester. For example:

- Keeping costs down would increase sales at Manchester Airport / make the airport competitive.

2. *U* 1 mark: Give one disadvantage of automation. For example:

- Machines can break down.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Explain how the disadvantage is relevant to Manchester Airport. For example:

- Given the amount of passengers' baggage that Manchester Airport deals with, any breakdown would cause serious disruption to its services.

An 1 mark: Show how the disadvantage would affect Manchester Airport. For example:

- Disruption would be bad for the reputation of the Manchester Airport and sales may fall.

4.2 Quality of goods and services

Concept of quality *and* Importance of quality in the production of goods and the provision of services

1. *K* 2 marks: Show that you know what quality involves in relation to the provision of services. For example:
 - The service should be as the customer expects.
 - The service should be fit for purpose.
2. *App* 2 marks: Using information in the case study, explain two issues about quality relating to Papa John's. For example:
 - Papa John's has introduced a new AI quality control procedure.
 - Papa John's has used traditional methods such as mystery shoppers as part of its quality control.

An 2 marks: Show how quality control may have affected Papa John's. For example:

- Papa John's may have been able to reduce costs as food waste has been reduced.
- Papa John's may have gained/retained customers.

Ev 1 mark: Make a judgement. For example:

- The quality assurance at Papa John's has not been good enough.
- The quality control at Papa John's may have helped it maintain its size.

Ev 2 marks: Justify your judgement. For example:

- Consumer satisfaction at Papa John's has been less than that at Domino's and Pizza Hut, and this may explain why it has remained smaller than the other two chains in terms of sales and restaurants, and why the number of restaurants has fallen.
- The difference in consumer satisfaction at Papa John's compared to the other major fast-food restaurants is minimal. This may have helped to maintain the number of restaurants it has. Also, while its sales figures are less than those of Domino's and Pizza Hut, it does not have as many restaurants as them. It would be more useful to know its profits/profit margins, which may have increased given the new AI method of quality control.
- While Papa John's earns less sales revenue than the other two chains, it may get a higher return in terms of profits. This may have increased due to the recent introduction of AI quality control procedures. Further information about profits would be useful.

Methods of ensuring quality

K 1 mark: Show your knowledge of the methods of quality control by selecting the appropriate method. For example:

- quality control.

U 1 mark: Show that you know what quality control is by giving a brief explanation. For example:

- It involves the physical inspection of each product by a worker or a machine.

Note: No application mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Using information in the case study, you needed to explain why you chose this method. For example:

- The senior craft worker inspects each guitar before it leaves his station.

4.3 Sales process and customer services

Methods of selling

1. (b) a buyer meeting with a seller

2. a) *U* 2 marks: State any two methods of selling used by John Lewis. For example:

- e-commerce or selling online
- face-to-face selling.

b) *U* 1 mark: Give one advantage of face-to-face selling. For example:

- Customers can ask questions to find out more about what they are buying.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Explain how the advantage is provided by John Lewis. For example:

- Customers speak to sales assistants in the John Lewis stores.

An 1 mark: Show how the advantage would affect John Lewis. For example:

- This will increase/maintain sales for John Lewis.

Influence of e-commerce on business activity

1. *U* 1 mark: Suggest one practical issue a business needs to deal with to sell online. For example:

- A business needs a system for delivering the goods.
- A business would need a system for advertising its goods / taking orders / receiving payments.

Note: No application mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Explain how this would be relevant to Aldi. For example:

- Aldi arranged with Deliveroo for the delivery of its goods.
- Aldi set up the technology to selling online.

2. a) *U* 1 mark: Give one advantage of e-commerce. For example:

- selling 24/7
- lower selling costs
- customers can order from their homes.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Explain how the advantage is relevant to Aldi. For example:

- Customers were able to order groceries during the COVID-19 pandemic when they were reluctant to visit shops.

An 1 mark: Show how the advantage would affect Aldi. For example:

- Aldi was able to continue sell groceries during the COVID-19 pandemic when sales from stores were falling.

b) *U* 1 mark: Give one disadvantage of selling online. For example:

- A system for delivering orders is needed.

Note: No application or analysis mark can be gained without understanding.
(Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Explain how the disadvantage is relevant to Aldi. For example:

- Aldi had to pay Deliveroo for the delivery service.

An 1 mark: Show how the disadvantage would affect Aldi. For example:

- Aldi's costs would have risen/profits or profit margins fallen.
- Aldi would have to raise prices to cover the extra cost.

c) *Ev* 1 mark: Make a judgement. For example:

- Aldi should/not expand its online sales to include groceries.

Ev 2 marks: Justify your judgement. For example:

- While online sales fell in December, other supermarkets continue to sell groceries online so there is clearly a demand for this service. If using Deliveroo is too expensive, Aldi needs to develop its own, cheaper delivery system.
- There is not enough demand for a delivery service from Aldi's customers. The fall in sales in December 2021 shows that its customers prefer to buy in the stores.
- Given that Aldi's USP is low prices, it would have to raise prices or accept a lower profit margin to cover the costs of using Deliveroo. Online grocery delivery would not be in Aldi's business interest.

Importance to a business of good customer service including after-sales service *and* Contribution of product knowledge and customer engagement to good customer service

1. (d) Customer engagement

2. *K* 1 mark: State one advantage of customer service – no explanation is required. For example:

- increased sales
- encourages customers to return.

3. *K* 1 mark: State one disadvantage of providing after-sales service – no explanation is required. For example:

- After-sales service costs money.
- After-sales service can lead to a loss on some goods.

4. *K* 1 mark: State one disadvantage of making sure its sales assistants have good customer knowledge. For example:

- It will incur a cost.

U 2 marks: Give an explanation. For example:

- Sales assistants will need to be trained.

4.4 Consumer law

Impact of consumer law on businesses

U 1 mark: Give one benefit to businesses of providing safe services. For example:

- It creates a good reputation for the business.
- It encourages customers to use the service.
- It will avoid paying compensation / being fined.
- The business could avoid having to close down an unsafe service.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Explain how the benefit, or the problem resulting from failing to provide this benefit, is relevant to Alton Towers. For example:

- The Smiler accident caused a reduction in customers in 2015.
- Alton Towers was fined £5 million for breaching health and safety rules.
- Alton Towers paid out compensation to the victims.

An 1 mark: Show how the benefit would affect Alton Towers. For example:

- Alton Towers would not have lost revenue/sales in 2015 if the accident had not happened.
- Alton Towers profits would fall (from lower revenues / from having to pay the fine and the compensation).

4.5 Business location

Factors influencing business location

You would not get a question in an examination that asks you to apply the factors affecting business location to several different businesses. However, you could get a multiple choice question worth 1 mark for application. This question challenges you to make the application by identifying the relevant location factor in each case. Having to give a reason will strengthen your understanding.

Your answers could include the following:

1. A dentist in the city of Oxford:

Factor: b) proximity to market

Reason: Consumers will not travel very far to visit a dentist, so the dentist needs to locate in easy reach of enough people. Oxford is a city so there will be a lot of potential customers.

2. A pea processing factory in an area of farmland:

Factor: d) proximity to materials

Reason: The peas can be transported from the farm in their pods to the factory close by, where they will be picked and processed. Without their pods, the final product will be less bulky and cheaper to transport.

3. Asda warehouse near the junction of several motorways:

Factor: (a) costs of production

Reason: There is easy access to the motorways so goods can be transported quickly to the Asda shops around the country.

4. A specialist bank in the financial district of London around Canary Wharf:

Factor: (c) proximity to labour

Reason: Because there are lots of finance jobs in this part of London, so finance workers will live in or near this district.

Factor: (b) proximity to the market

Reason: A specialist bank will want to be near to other financial institutions which may buy services from it. This will make the customer institutions more aware of it and it will be easier to communicate with each other to arrange business deals.

5. A small manufacturing business on an enterprise zone in south Yorkshire:

Factor: (e) government support

Reason: The business will benefit from grants from the government or lower taxes, which will reduce its costs.

4.6 Working with suppliers

Role of procurement

1. *K 1 mark:* Give a straightforward definition of procurement. For example:

- The management of the process of purchasing goods (or services) in a business.

App 1 mark: Apply the idea of procurement to the case study business, Beechwood Garden Centre. For example:

- The Beechwood Garden Centre organising the purchase of its Christmas stock is an example of procurement.

2. **(c)** ordering Christmas decorations from suppliers.

Impact of logistical and supply decisions on businesses

1. *K 1 mark:* Give a definition of the term logistics. For example:

- Logistics involves the transport of goods.
- Logistics involves decisions about where a company buys goods from.

2. *U 2 marks:* Explain how the fuel price changes affect transport costs, and how this change affects the cost of goods businesses purchase. For example:

- A rise in fuel price raises the cost of transporting goods, which means that suppliers would have to charge more for them.

3. *U* 1 mark: Give one problem caused by the world shortage of wheat. For example:

- The world shortage of wheat has led to a fall in ingredients such as flour.

Note: No application or analysis mark can be gained without understanding. (Remember this means no marks at all if you do not show understanding.)

App 1 mark: Explain how the problem is relevant to Waitrose. For example:

- Waitrose had to pay more for its bread.

An 1 mark: Show how the problem would affect Waitrose. For example:

- Sales of bread at Waitrose would fall.

Chapter 5: Finance

Now test yourself answers

5.1 Role of the finance function

Purpose of the finance function and Influence of the finance function on business activity

1. *K* 2 x 1 mark: State two kinds of information provided by a finance department from the list of possible kinds. For example:

- sales/revenue figures
- break-even information
- the average rate of return of the business
- profit/loss data
- forecasts of cash flow.

2. *U* 1 mark: Suggest a way of reducing costs. For example:

- The business could look for alternative, cheaper printers

Note: No application or analysis mark can be gained without understanding. (Remember this means no marks at all if you do not show understanding.)

App 1 mark: Explain how the advantage is relevant to Cheeseman Publishing. For example:

- The printing costs of Cheeseman Publishing in Italy have risen by 15%.

An 1 mark: Show how the advantage would affect Cheeseman Publishing. For example:

- Cheeseman Publishing may be able to make a profit / reduce its losses.

5.2 Sources of finance

Reasons businesses need finance

1. **(b)** It is expanding its business.
2. *U* 3 x 1 mark: Give three reasons why a business may need to raise finance. For example:
 - to fund investment/expansion
 - to pay for stock
 - to recruit workers.

App 3 x 1 mark: Using information in the case study, explain how Lidl will need finance for these purposes. For example:

- Lidl needs £1.3bn to finance 50 new stores.
- Lidl will need stock to sell in its new stores.
- Lidl intends to recruit 2000 extra workers.

Ways of raising finance

1. *U* 1 mark: Give one advantage of trade credit. For example:

- 90-day trade credit means the business can delay payment for the goods it buys without having to pay any interest.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Explain how the advantage is relevant to Jo Smith. For example:

- This gives Jo Smith 90 days to sell the goods, to earn the revenue to pay for them.

An 1 mark: Show how the advantage would affect Jo Smith's business. For example:

- Jo is able to stock her shop with goods to sell.
- It reduces the amount she needs to raise from savings or banks.

2. *U* 1 mark: Give one advantage of selling new shares. For example:

- Funds raised from new shares do not need to be repaid.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Explain how the advantage is relevant to Verditek plc. For example:

- Verditek can raise the funds for its expansion.

An 1 mark: Show how the advantage would affect Verditek plc. For example:

- Verditek should increase its profits by expanding.

3. *U* 1 mark: Give one advantage of a bank loan. For example:

- A bank loan means money is available straight away.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Explain how the advantage is relevant to Qais. For example:

- Qais will be able to pay for the upgrade of his studio and photography equipment.

An 1 mark: Show how the advantage would affect Qais' photography business. For example:

- Qais will be able to remain competitive/increase sales.

4. *U* 1 mark: Give one advantage of taking on a partner. For example:

- The new partner can provide finance.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Explain how the advantage is relevant to Rajpreet. For example:

- Rajpreet needs additional funds to finance larger offices.

An 1 mark: Show how the advantage would affect Rajpreet. For example:

- Rajpreet will be able to expand the business / increase sales.

5. Note that this is not presented as an examination question. Answers could include:

- Case 1: Jo must pay back the trade credit – in this case at the end of 90 days – whether or not the goods have been sold.

- Case 2: having new shareholders means that existing shareholders of Verditek may lose some control – unless they buy the new shares or already own enough to maintain control.
- Case 3: Qais will need to pay back the bank loan with interest – usually over a period of time. The loan may have to be secured against assets that Qais owns, and he may risk losing these if he cannot repay the loan (depending on his liability).
- Case 4: Rajpreet will have to share control and decision-making with the new partner, Alice. It could lead to disagreements and arguments.

How and why different sources of finance are suitable for new and established businesses

3. 1 a) *U* 1 mark: Give one benefit of using trade credit. For example:

- The buyer does not need to pay for the goods until they are sold.

Note: No application or analysis mark can be gained without understanding.
(Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Use information in the case study to explain how the benefit will be relevant to Gordon. For example:

- Gordon will be able to fit the kitchens and receive payment from the customer before he has to pay for the kitchen units.

b) *U* 1 mark: Give one benefit of an overdraft to a business. For example:

- Finance becomes available immediately as the business is allowed to spend more money than it has in its bank account.

Note: No application or analysis mark can be gained without understanding.
(Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Use information in the case study to explain how the benefit will be relevant to Gordon. For example:

- Gordon will be able to pay wages to his workers to get the kitchens fitted / will have the money to pay off the overdraft once the customer has paid for the kitchen fitting.

c) *U* 1 mark: Give one benefit of a business using its own savings. For example:

- By using its own savings, a business does not have to pay interest / does not go into debt / does not need to repay anything.

Note: No application or analysis mark can be gained without understanding.
(Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Use information in the case study to explain how the benefit will be relevant to Gordon.

- Gordon will not need an overdraft and so will not have to incur costs by paying interest on it.
- Gordon does not risk his personal or financial business assets.

4. 2 *U* 1 mark: Give one advantage to a business of using retained profit. For example:

- The finance does not need to be repaid.

- There is no interest to pay on retained profit.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Use information in the case study to explain how the benefit will be relevant to Bowton Airport plc. For example:

- It will be cheaper for Bowton Airport to use retained profit than, say, to take out a bank loan for £50 million.

5. 3 *U* 1 mark: Give one disadvantage of using a bank loan. For example:

- The business will have to repay the loan with interest.
- The business may have to provide security for the loan.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Use information in the case study to explain how the benefit will be relevant to Wendy.

- A loan will increase Wendy's business costs / may cause cash-flow problems as the loan may need to be paid monthly.
- Wendy might risk her own possessions by providing them as security for the bank loan.

5.3 Revenue, costs, profits and loss

Concept of revenue in business and its importance in decision making *and* Calculation of revenue

1. *K* 1 mark: Give a straightforward definition of revenue. For example:

- Revenue is the money businesses receive from sales.

2. *App* 2 marks: 2 marks for calculating the correct answer, 1 mark for an appropriate method if the answer is incorrect. For example:

- Sum = 10,000 x £4
- Answer = £40,000 (2 marks if the answer has the correct units – £000s)

3. *K* 1 mark: Give a reason why revenue is important to a business. For example:

- Revenue pays for business costs / provides profits after business costs have been paid.

4. *U* 1 mark: Give a reason why a rise in price may cause the revenue of a business to fall. For example:

- When a business raises its prices, its sales may fall.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Explain how the reason is relevant to Primark. For example:

- Customers may prefer to buy from competitors such as Matalan rather than Primark if its goods are now cheaper.

Concept of costs in a business and their importance in business decision making *and* Calculation of costs

1. 1 K 2 marks: Give one kind of fixed cost and one variable cost. For example:

rent (fixed)
materials/wood and nails (variable).

2. a) *App* 2 marks: Show the sum you are doing to calculate the average labour cost and then give the answer. You will gain 2 marks for calculating the correct answer, 1 mark for an appropriate method if the answer is incorrect. For example:

Sum = £10 ÷ 20
Answer = 50p (2 marks if the answer has the correct units – pence)

- b) *App* 2 marks: Show the sum you are doing to calculate the total variable cost and then give the answer. You will gain 2 marks for calculating the correct answer, 1 mark for an appropriate method if the answer is incorrect. For example:

Sum = 50p + 80p
Answer = £1.30p (2 marks if the answer has the correct units – £1s and pence)

- c) *App* 2 marks: Show the sum you are doing to calculate the total cost and then give the answer. You will gain 2 marks for calculating the correct answer, 1 mark for an appropriate method if the answer is incorrect. For example:

Sum = (90000 × 1.30) + 30000
Answer = £147,000 (2 marks if the answer has the correct units – £000s)

3. *U* 1 mark: Give one impact of reducing costs on competitiveness. For example:

- Reducing costs may increase competitiveness.

Note: No application or analysis mark can be gained without understanding. (Remember this means no **marks at all** if you do not show understanding.)

App 1 mark: Explain the impact of reducing costs on Desmond Smith's business. For example:

- Lower total costs will mean that Desmond can reduce the price below £2.50 and still make the same profit per pallet.

An 1 mark: Show how the advantage would affect Desmond Mills' business. For example:

- Lower prices should lead to increased sales for Desmond.

Concept of profit and loss in business and their importance in business decision making *and* Calculation of profit and loss

1. a) *App* 2 marks: Show the sum you are doing to calculate the total profit or loss, and then give the answer. You will gain 2 marks for calculating the correct answer, 1 mark for an appropriate method if the answer is incorrect.

Sum = £8m – £6m
Answer = £2m profit (2 marks if the answer has the correct units – £m)

- b) *App* 2 marks: Show the sum you are doing to calculate the gross profit, and then give the answer. You will gain 2 marks for calculating the correct answer, 1 mark for an appropriate method if the answer is incorrect.

$$\text{Sum} = £8\text{m} - £5\text{m}$$

Answer = £3m gross profit (2 marks if the answer has the correct units – £m)

- c) *App* 2 marks: Show the sum you are doing to calculate the net profit, and then give the answer. You will gain 2 marks for calculating the correct answer, 1 mark for an appropriate method if the answer is incorrect.

$$\text{Sum} = £3\text{m} - £1\text{m}$$

Answer = £2m net profit (2 marks if the answer has the correct units – £m)

2. *U* 1 mark: Give one way in which profit may affect production decisions. For example:

- Profits will determine whether or not a business produces a product (and how much).
- Profits influence what a business will produce.
- Profits determine the long-run survival of a business.
- Profits influence how much finance a business can raise.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Using information in the case study, explain how BW Trains Ltd may change its decisions as a result of the fall in profits. For example:

- BW's profits are falling by 15% per year on average so it may reduce its production.
- BW Trains might respond to falling profits by producing something different.
- BW Trains might go out of businesses.
- BW Trains might find it difficult to pay for improvements to its business.

Calculation and interpretation of profitability ratios

1. *App* 2 marks: Show the sum you are doing to calculate the gross profit margin, and then give the answer. You will gain 2 marks for calculating the correct answer, 1 mark for an appropriate method if the answer is incorrect.

$$\text{Sum} = \frac{£80,000}{£250,000} \times 100$$

Answer = 32% (2 marks if answer has the correct units – %)

2. *App* 2 marks: Show the sum you are doing to calculate the net profit, and then give the answer. You will gain 2 marks for calculating the correct answer, 1 mark for an appropriate method if the answer is incorrect.

$$\text{Sum} = \frac{£30,000}{£250,000} \times 100$$

$$\text{Answer} = 12\% \text{ (2 marks if answer has the correct units – \%)}$$

3. *K* 1 mark: Give a definition of gross profit margin. For example:

- The gross profit margin compares the total revenue a business earns compared to its cost of sales.

U 1 mark: Show understanding by indicating how the comparison of costs of sales and total revenue is made. For example:

- The gross profit margin is gross profit as a percentage of total revenue.

App 2 marks: Indicate two ways in which Food4U could increase its gross profit margin. For example:

- Food4U could increase its price / its sales.
- Food4U could reduce the cost of its ingredients / wages OR its cost of sales / cost.

An 2 marks: Give the effects or impacts of the issue/change on the company. For example:

- A rise in prices/sales would increase the total revenue of Food4U.
- A reduction in the cost of ingredients/wages would reduce the cost of sales for Food4U.

Ev 1 mark: Make a judgement. For example:

- Food4U should increase prices / reduce cost of sales.

Ev 2 marks: Justify your judgement. For example:

- Total revenue did not increase in Year 2, so Food4U needs to deal with this by increasing prices or sales. This will depend on the prices being charged by its competitors, the quality of its food/service and the advertising it is prepared to undertake. Reducing the cost of sales does not seem like an option because rising costs have been caused by changes in the world markets for wheat flour and rice, which it can do nothing about.

(Note: not all these points are needed for 2 marks.)

Calculation and interpretation of average rate of return (ARR)

1. a) *App* 2 marks: Show the sum you are doing to calculate the total profit, and then give the answer. You will gain 2 marks for calculating the correct answer, 1 mark for an appropriate method if the answer is incorrect. For example:

$$\text{Sum} = £500,000 - £200,000$$

$$\text{Answer} = £300,000 \text{ (2 marks if the answer has the correct units – £000s)}$$

- b) *App* 2 marks: Show the sum you are doing to calculate the annual average profit, and then give the answer. You will gain 2 marks for calculating the correct answer, 1 mark for an appropriate method if the answer is incorrect. For example:

$$\text{Sum} = £300,000$$

$$10$$

$$\text{Answer} = £30,000 \text{ (2 marks if the answer has the correct units – £000s)}$$

- c) *App* 2 marks: Show the sum you are doing to calculate the annual rate of return, and then give the answer. You will gain 2 marks for calculating the correct answer, 1 mark for an appropriate method if the answer is incorrect. For example:

$$\text{Sum} = \frac{£30,000 \times 100}{£200,000}$$

$$15\%$$

(1 mark if your answer is incorrect but you have at least two correct numbers in your sum.)

$$\text{Answer} = 15\% \text{ (2 marks if the answer has the correct units – \%)}$$

2. *U* 1 mark: Express how ARR is used by businesses in investment decisions. For example:

A business will compare the ARR of an investment with the interest rate it can receive on its savings or will be charged on the money it borrows when deciding whether or not to invest.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Compare the ARR on the investment with the interest rate Farmer Bill's could earn. For example:

- The ARR for the reptile house investment project at Farmer Bill's is 15% which is higher than the interest rate the company would receive on the retained profit in the bank.

An 1 mark: Show how the comparison of the ARR and the interest rate would impact on Farmer Bill's decision about investing in the reptile house. For example:

- This means that investment project will give a better return for Farmer Bill's than keeping the retained profit so the investment in the reptile house should go ahead.

5.4 Break-even

Concept of break-even *and* Simple calculation of break-even quantity

1. *K* 1 mark: Give a straightforward definition of break-even output. For example:

- The break-even output is the output at which a business makes neither a profit nor a loss.

U 1 mark: Show at what output a business would make neither a profit nor a loss. For example:

- This is the output at which the revenue received by the business would be equal to the costs.

2. *App* 2 marks: Show the sum you are doing to calculate the break-even output, and then give the answer. You will gain 2 marks for calculating the correct answer, 1 mark for an appropriate method if the answer is incorrect. For example:

Sum = £700,000

£60 – £25

(1 mark if answer is incorrect and at least two of the figures are correct.)

Answer = 20,000

Usefulness of break-even analysis in business decision-making

- (b) By completing a break-even forecast, a business will know how much it will sell.

5.5 Cash and cash flow

Importance of cash to a business *and* Difference between cash and profit *and* Usefulness of cash flow forecasting to a business

1. 1 c) A negative cash flow may be financed using an overdraft.
2. 2 a) *K* 1 mark: State one reason why cash is important to a business. For example:
 - Cash is used to pay business costs.

- Cash provides the business with liquidity.
- Cash is working capital for the business / can be used to buy materials.

b) K 1 mark: Give one use of cash flow forecasts. For example:

- A cash flow forecast is a planning tool.
- A cash flow forecast can show when a business will be short of cash.

U 1 mark: Illustrate the use of the cash flow forecast you have given. For example:

- The business will know when it needs to arrange for an overdraft.
- The business will know how much of an overdraft it might need.

3. K 2 marks: Give two ways of dealing with a negative cash flow forecast. For example:

- The business could take out an overdraft.
- The business could make changes to avoid the cash flow problem.

U 2 marks: Explain each way. For example:

- The business can use the overdraft to pay for bills (before it receives revenue which it can use to pay off the overdraft).
- The business could look at ways of increasing its expected revenue or expected costs.
- The business could look to buy cheaper stock / reduce wages.

Completion of cash flow forecasts

a. App 2 marks: Show the sum you are doing to calculate the wages paid in February and then give the answer. You will gain 2 marks for calculating the correct answer, 1 mark for an appropriate method if the answer is incorrect. For example:

$$\text{Sum} = £22,000 - £11,000$$

$$\text{OR } £22,000 - (£8,000 + £1,000 + £2,000)$$

$$\text{Answer} = £14,000 \text{ (2 marks if the answer has the correct units – £000s)}$$

b. App 2 marks: Show the sum you are doing to calculate the closing balance for March and then give the answer. You will gain 2 marks for calculating the correct answer, 1 mark for an appropriate method if the answer is incorrect. For example:

$$\text{Sum} = £18,000 + £7,000$$

$$\text{OR } £18,000 + (£30,000 - £23,000)$$

$$\text{Answer} = £25,000 \text{ (2 marks if the answer has the correct units – £000s)}$$

Chapter 6: Influences on business

Now test yourself answers

6.1 Ethical and environmental influences on business

Ethical considerations in business

1. K 1 mark: Give one of the four ethical considerations for businesses. For example:

- treatment of workers
- sourcing materials

- treatment of suppliers
- treatment of customers / marketing decisions.

2. *U* 1 mark: Give the ethical consideration you think is relevant in this case. For example:

- The private health firms are treating customers unethically.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Using information in the case study, explain how the behaviour of the private health firms is unethical. For example:

- Private health firms are carrying out unnecessary tests on patients and charging the patients for them.

Impact of ethical considerations on businesses

1. *U* 1 mark: Give one benefit of making staff redundant. For example:

- Making staff redundant can reduce costs.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Using information from the case study, explain how the advantage is relevant to P&O. For example:

- P&O was making a loss of £100m.

An 1 mark: Show how the advantage would affect P&O as a business. For example:

- P&O would be able to survive / make a profit.

2. *U* 1 mark: Give one problem. For example:

- Making staff redundant can damage the reputation of the company.
- Acting illegally can cost the company.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Show how P&O would experience the problem. For example:

- There was a general feeling that P&O had acted badly (trade unions, politicians etc).
- 83% of the public thought the action was illegal.
- A government minister said that people's attitudes towards P&O might change.

An 1 mark: Show the possible impact on P&O. For example:

- P&O could lose government contracts.
- P&O could lose sales / increase its loss.
- P&O costs could rise, with fines or redundancy costs.

3. *Ev* 1 mark: Make a judgement. For example:

- P&O was right/wrong to make the crew redundant.

Ev 2 marks: Justify your judgement. For example:

- P&O has a responsibility to its shareholders to make a profit and to the 2200 other staff to secure their jobs. While 800 workers suffered, in the long term the action was necessary for the survival of the business.
- P&O should have followed the correct procedures for making staff redundant by having consultations with them and then giving appropriate notice. This could have resulted in a solution agreed with the workers and avoided the possible fine and damage to the reputation of the business.
- The strength of feeling against P&O will cause the company to lose sales from the general public as well as losing government contracts so the move will not solve the problem of the losses. It will take a long time for P&O to rebuild its reputation as an ethical company.

Environmental considerations in businesses

1. (a) An environmentally friendly business will not produce any waste products at all.
2. a) K 1 mark: State the relevant environment consideration:

- Sustainability

App 1 mark: Explain how this applies to IKEA using the information in the case study. For example:

- IKEA now uses packaging made from recycled waste.

- b) K 1 mark: State one other environmental consideration. For example:

- waste disposal
- climate change
- pollution.

U 1 mark: Explain how your chosen environmental consideration is relevant to business in general terms. For example:

- If a business disposes of waste in an environmentally friendly manner it will enhance the reputation of the business/increase sales/reduce costs.
- A business that pollutes may lose sales/have a poor reputation.
- A business that pollutes may reduce costs.
- A business can contribute to climate change by not using fossil fuels.

Impact of environmental considerations on businesses

U 1 mark: Give one problem for a business of pumping raw sewage into a river. For example:

- The business would incur additional costs.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Explain how the problem is relevant to Northumbrian Water. For example:

- Northumbrian Water has had to pay a fine of £375,000 / pay for the clean-up of the river / invest to prevent it happening again.

An 1 mark: Show how the problem would affect Northumbrian Water. For example:

- This will have reduced the profits of Northumbrian Water.
- It will have caused damage to the reputation of Northumbrian Water.

6.2 The economic climate

The economic climate and its impact on business

1. (d) A rise in energy prices may lead to a fall in the real income of consumers.
2. (b) Rising incomes often lead to an increase in the sales of luxury goods.
3. a) *U* 1 mark: Give one reason why a fall in income may increase sales. For example:
 - When incomes fall, consumers might look to buy cheaper goods instead of more expensive ones.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Explain how the reason is relevant to Aldi and Lidl. For example:

 - Aldi and Lidl offer a range of lower-priced groceries and other goods.
- b) *U* 1 mark: Give one reason why a fall in income may not affect a business. For example:
 - If a company sells to consumers not affected by the fall in incomes, its sales will not fall.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Explain how the reason is relevant to Aston Martin. For example:

 - Aston Martin sells luxury cars at an average of £150,000. Its customers will have above-average income which may not fall (or not significantly) for those people.

6.3 Globalisation

Concept of globalisation

1. *U* 2 marks: Give two ways in which a business can be involved in globalised trade. For example:
 - global sales
 - global manufacture
 - global purchasing
 - global movement of capital
 - global movement of workers.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 2 marks: Explain how the advantage is relevant to JLR. For example:

 - Global sales – JLR sells its cars in many different countries, such as the UK, Far East, USA and other European countries.
 - Global manufacture – JLR produces cars in the UK and China.
 - Global purchasing – JLR purchases services from India as well as the UK.
 - Global movement of capital – JLR is owned by an Indian company, TATA, which bought the UK business.

- Global movement of workers – JLR employs workers from around the world including Romania, Australia and the UK.

2. *U* 1 mark: Give one reason businesses can trade globally. For example:

- improved global communications
- improvements in shipping
- free trade deals.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Explain how the reason you have chosen to write about is relevant to JLR. For example:

- Improved global communications – ICT now means designs can be sent to China / quality issues can be discussed with China easily and quickly.
- Improvements in shipping – larger ships can now carry greater numbers of cars, reducing costs per car for JLR.
- Free trade deals – free trade means there are no tariffs on JLR exports to those countries with which the UK has a free trade deal.

Impact of globalisation on businesses

1. 1 *K* 1 mark: Give a straightforward definition of a multinational company. For example:

- A multinational company is one that operates in different countries.

U 1 mark: Show understanding by giving an example of an advantage of being a multinational company. For example:

- The company can reduce costs by producing in countries where production costs/wage are lower.
- The company can spread risk by selling in several different markets.
- Multinationals may be able to avoid paying taxes.
- Sales can be increased by selling in several different countries.

2. *U* 1 mark: Show how a fall in the value of the pound against the euro may affect UK import prices (or the price of Zara's exports). For example:

- UK buyers would have to pay more for imports from countries using the euro.

Note: No application or analysis mark can be gained without understanding. (Remember this means **no marks at all** if you do not show understanding.)

App 1 mark: Explain how the fall in the value of the pound would affect Zara. For example:

- This means that the prices of the clothes sold by Zara would now be more expensive for UK shops to buy.

An 1 mark: Show how increased prices would affect Zara as a business. For example:

- A rise in the price of Zara goods would reduce sales.

Chapter 7: The interdependent nature of business

Now test yourself answers

The interdependent nature of business operations, finance, marketing and human resources within a business context and How these interdependencies underpin business decision making

K 1 mark: Explain the meaning of customer service. For example:

- Customer service refers to the way in which a business treats its customers.

U 1 mark: Develop your answer by explaining what good customer service looks like. For example:

- Good customer service does what the customer wants.

App 2 marks: Use information in the case study to give evidence of the quality of customer service at Triodos Bank. For example:

- Triodos Bank has won awards for the quality of its customer service.
- 78% of customers of Triodos have expressed satisfaction with the service provided.

An 2 marks: Show how the quality of customer service has impacted on Triodos Bank. For example:

- The number/deposits of customers at Triodos Bank has/have grown.
- Profits at the bank have grown rapidly.

Ev 1 mark: Make a judgement. For example:

- The quality of customer service has had a big impact on the performance of the bank.
- The quality of customer service is only partially responsible for the good performance of Triodos Bank.

Ev 2 marks: Justify your judgement by referring to the case study. For example:

- The quality of service at Triodos Bank has resulted in an increase in deposits, which means the bank can increase its lending out and so it has been able to increase its profits.
- While good customer service has helped to bring money into the bank, equally important to its performance has been the good judgement about who to lend money to, so that it does not make a loss on loans.

Impact of risk and reward on business activity and Use of financial information in measuring and understanding business performance and decision making

K 1 mark: Give a definition of just-in-time production. For example:

- Just-in-time production is a method of manufacturing.

U 1 mark: Show understanding by using an example of the use of just-in-time production. For example:

- Vauxhall will use components as soon as it receives them, rather than storing them in a warehouse.

App 2 marks: Relate your understanding to the Vauxhall case study. For example:

- Vauxhall will not need warehouses.
- Vauxhall risked not having a supply of the necessary chips when needed.

An 2 marks: Give effects or impacts of the issue/change on the company. For example:

- This minimises costs.
- Vauxhall could not produce all the cars it wanted to / would lose profits.

Ev 1 mark: Make a judgement. For example:

- In the long term, the rewards will be greater than the risks for Vauxhall.

Ev 2 marks: Justify your judgement. For example:

- The supply of chips is expected to have increased by late 2022 so the problems are only short term. The long-term benefit to costs will resume once the supply of chips improves. Stellantis, the owner of Vauxhall, must see this as a short-term problem as it was willing to invest £100m in car production at the Ellesmere Port plant.