



# **Practice Exam Papers for GCSE AQA Business**

## Paper 1: Influences of operations and HRM on business activity

Update v1.1, September 2020

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# Teacher's Introduction

This resource consists of four Paper 1 practice papers and mark schemes that can be used by teachers to prepare learners to be examined at the end of their AQA GCSE in Business (8132) course. The well-known saying suggests 'practice makes perfect' and hopefully the papers will help learners to perfect their exam skills, which will be particularly critical given the linear assessment requirements. The qualification is assessed via two exams which are sat at the end of the course, so consequently ensuring students are familiar with the style and content of the papers is essential to provide them with the best chance of securing pleasing results.

The papers are written to cover all topics within the AQA specification. They have been produced after a thorough assessment of the specimen papers produced by the exam board to ensure that the questions are written in a similar format, tone and style to those students will face in the real exam.

The author of the papers has a number of years' experience of teaching Business Studies for a range of qualifications from level 2 to level 7. The author is also an examiner for a major awarding body for GCSE and A Level Business Studies.

## Using this resource

This resource can be used in a number of ways to help students to prepare for their GCSE exam. It can be used independently by students or as a teacher-led exercise. Here are a few suggestions:

**Homework:** The papers could be completed by students as homework tasks. Students could be given one or two sections to complete in the run-up to the exam, or alternatively the questions could be divided up and given to students as they progress through the various topics to review their learning.

**In-class exam:** The practice papers make ideal mock exams to complete under timed exam conditions as they are based on the format of the final exam. There is a mark scheme and suggested answers to accompany every question. The mock exam will then enable teachers to pinpoint the topics that students find challenging, review their exam technique / time management and tailor any intervention activities appropriately. The benefit of using these practice papers as mock exams is that the mark schemes are not in the public domain (unlike past and specimen papers produced by the exam boards which are posted on their website) so they give teachers a true picture of how students perform when tackling an unseen paper.

**In class:** The papers could be 'walked-through' in their entirety or divided up into sections to give the students guidance related to the requirements of an exam. Using the mark schemes, teachers can inform learners how marks are awarded and the difference between the levels on the extended-mark questions.

**Exam technique:** The papers can be used to help students of all levels to enhance their exam technique. They can become familiar with what is required from an 'identify', 'calculate' and 'analyse' question so they are aware of the detail expected for each level of response. Students could complete a range of question styles and peer mark their responses to the practice questions to give them the opportunity to 'think like an examiner'.

**Revision:** When the students are approaching their final exams, a whole practice paper could be given to them to complete. This technique may be particularly appropriate for over a holiday period, e.g. Easter or half term. When the students return from their holiday the teacher can mark the entire paper and also share the mark scheme with the students so they can see how their responses compare.

March 2018

### Update v1.1, September 2020

Essay questions updated throughout to closer match the AQA specification and guidance.

## Free Updates!

Register your email address to receive any future free updates\* made to this resource or other Business resources your school has purchased, and details of any promotions for your subject.

\* resulting from minor specification changes, suggestions from teachers and peer reviews, or occasional errors reported by customers

Go to [zzed.uk/freeupdates](https://zzed.uk/freeupdates)

## Exam Paper Structure

The AQA GCSE Business (8132) exams run from 2019 onwards. The qualification is split into two exams in the summer of their final year of study (Year 11).

The qualification is assessed via two papers which are equally weighted to determine the final grade.

<b>Paper 1: Influences of operations and HRM on business activity</b>	<ul style="list-style-type: none"> <li>• Written exam – 1 hour 45 minutes</li> <li>• 90 marks</li> <li>• 50% of final GCSE grade</li> </ul>
<b>Paper 2: Influences of marketing and finance on business activity</b>	<ul style="list-style-type: none"> <li>• Written exam – 1 hour 45 minutes</li> <li>• 90 marks</li> <li>• 50% of final GCSE grade</li> </ul>

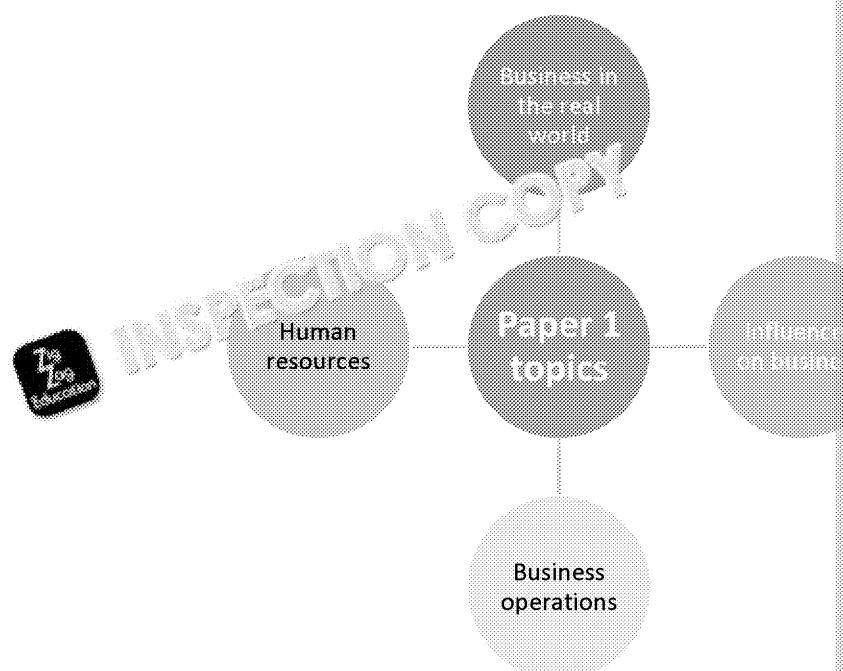
There are no optional papers in this qualification so all candidates must sit both papers. There are also no higher and foundation tiers so all candidates entered will include differentiated questions aimed at top and lower grades.

Students have 1 hour and 45 minutes to complete Paper 1 – Influences of operations and HRM on business activity. The paper is worth 90 marks overall and constitutes 50% of the overall GCSE grade.

The paper is typically divided into three sections. The first section normally starts with multiple-choice questions. Each question will be generic in style and offer four options which students must select. The second part of this section consists of six or seven short-answer questions. These require a short narrative answer, comprehending and applying data from a chart/table and simple calculations.

The second and third sections are both based on case study examples. The case study will develop as the questions progress. Students should be reminded to read the case study thoroughly before planning any answer. Answers should be applied to the context of the case study.

The case study examples used in the exam are based on a range of business contexts including large business organisations operating in national and international markets. The students must apply their business subject knowledge from throughout the specification to form a response appropriate to the business context given. Students who score the highest marks will be expected to link and apply their answers to the case study situation rather than offer generic answers. For example, if a case study mentions that a bakery is experiencing high labour turnover means that it is likely to have a number of experienced bakers who will gain more marks than 'The business should appoint all job vacancies using internal recruitment techniques'.



What's assessed in Paper 1: Influences of operations and HRM on business activity

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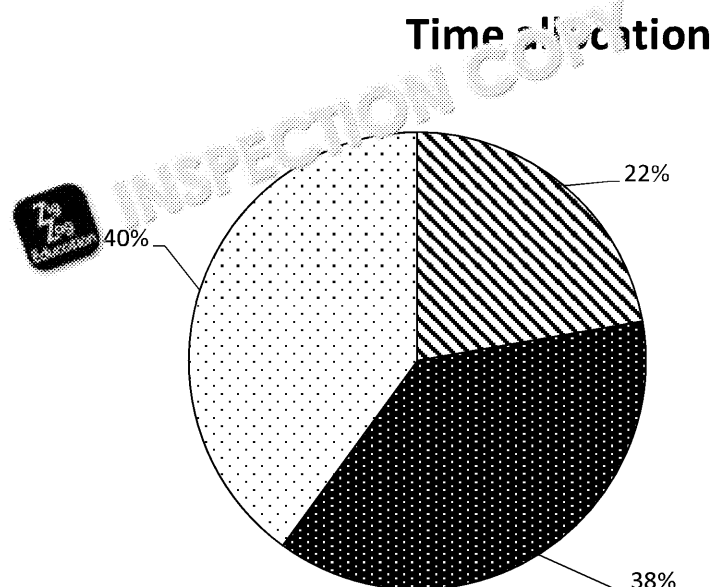
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All information is included within a case study for a purpose and the examiner will take all relevant information to demonstrate their in-depth business knowledge. It is the best students to showcase their in-depth knowledge and ability to apply of all

Students should always look at the number of marks awarded for each question and the amount of depth a student should include within a response.

Time management is a critical skill for GCSE Business students to master. It is a good idea to divide their 105 minutes across the 90 marks offered throughout the paper. For each mark and, therefore, approximately 23 minutes should be spent reading and answering each section.



Being disciplined with the time available is critical. Spending extra time answering one question is at a disadvantage the time available for another. There is a risk that the marks gained for a particular question are less than what could have been achieved by starting a subsequent question.

### Command words

The following table outlines some of the commonly used command words for the examination. It is important to know the meaning of the command words when completing Paper 1.

Command word	Overview
<b>Analyse</b>	Divide information into separate parts and identify their features.
<b>Calculate</b>	Complete a numerical calculation to work out an answer to a question. Do not avoid simply giving the answer to 'calculation' questions because you will lose marks if the final answer is wrong. The examiner is able to award marks for the calculation used even if the final answer is wrong.
<b>Describe</b>	Set out facts and figures to outline a term.
<b>Evaluate</b>	Make a judgement based on the information available with reference to the advantages and drawbacks of the option(s).
<b>Explain</b>	Present reasons or purposes.
<b>Identify</b>	Provide an appropriate example(s) that is relevant to words or a description is required.
<b>Justify</b>	Propose an answer supported by evidence.
<b>Recommend</b>	After considering different options make an informed judgement. A recommendation should be taken (supported by evidence). Avoid 'sitting on the fence' on a question – stating that they should choose both/all options or that there is no good outcome.
<b>State</b>	Express in clear and concise terms.

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### Assessment objectives

Assessment objectives (AOs) are set by Ofqual and are the same for all exam board qualifications. Here are the AOs and their weightings for a typical Paper 1 examination. Weightings are different for Paper 2 examinations.

AO1	<ul style="list-style-type: none"><li>• Demonstrate knowledge and understanding of business concepts and issues</li><li>• 36% of marks available</li></ul>
AO2	<ul style="list-style-type: none"><li>• Apply knowledge and understanding of business concepts and issues</li><li>• 34% of marks available</li></ul>
AO3	<ul style="list-style-type: none"><li>• Analyse and evaluate business information and issues to demonstrate understanding, make judgements and draw conclusions</li><li>• 30% of marks available</li></ul>

### Exam technique

Many students rush straight into writing their answer. This is unadvisable as rushed answers do not address the question asked and at best may lead to poorly structured responses. Planning often helps to improve the quality of answers composed; however, it is important to plan quickly as it may leave candidates insufficient time to actually write their answer.

Candidates should spend a few minutes planning their answer. They could use a simple bullet point list to outline the basic structure and key points.

### Activity – Planning

Ask your students to consider some of the practice questions within this resource and come up with a basic plan for their response to each question.

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# ZigZag Practice Exam Papers

Supporting GCSE AQA Business Paper 1 (8132/01)

## Business

### Paper 1

### Practice Paper A

Name

#### Time

##### allowed

1 hour and 45 minutes

#### Instructions

Answer **all** of the questions and use the space provided.

#### Information

The total number of marks available for this paper is **90**. The number of marks available for each question is shown in brackets.

Your quality of written communication is assessed on starred questions.

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## Section I

Answer all questions within this section

Four options are offered for multiple-choice questions. Select **one answer only** for each question by placing a tick in the box to the right.

1. What type of business would Colin's Cranes Ltd be?
  - A. Sole trader
  - B. Partnership
  - C. Private limited company
  - D. Public limited company
2. Which functional area is responsible for advertising a job vacancy?
  - A. Finance
  - B. Human resources
  - C. Marketing
  - D. Procurement
3. Which of the following documents would be used by a business when recruiting a new member of staff?
  - A. Break-even chart
  - B. Cash flow forecast
  - C. Person description
  - D. Person specification
4. What is the name given to an individual or organisation that affects, or is affected by, the activities of a business?
  - A. Shareholder
  - B. Neighbour
  - C. Stakeholder
  - D. Owner
5. Which of the following is a disadvantage to a business of using a just-in-time system?
  - A. May not be able to meet a rush order
  - B. Stock may go out of date
  - C. Poorer quality
  - D. Reduced staff motivation
6. Which of the following statements describes 'economies of scale'?
  - A. Where the cost per unit increases as the number produced increases
  - B. Where the cost per unit reduces as the number produced increases
  - C. Where the cost per unit increases as the number produced reduces
  - D. Where the cost per unit reduces as the number produced reduces

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7. Identify the meaning of the secondary sector, and give an example of a sector.

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8. Explain one advantage of external recruitment.

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9. Explain one advantage to a business of having a decentralised organisational structure.

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10. Explain one benefit to a business of having a motivated workforce.

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11. Explain two benefits to a business of managing stock using a just-in-case (JIC) system.

Benefit 1:

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Benefit 2:

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**END OF SECTION I**

## Section II

Answer all questions in the spaces provided

### Item A: Emmervale Farm Shop

Davina and Millie own Emmervale Farm Shop, which is a small shop selling fresh produce including fruit/vegetables, meat, and luxury gift hampers of gourmet food products. All items are responsibly sourced with fair prices paid to producers/farmers. Quality standards are maintained with regular visits to production standards. The owners run the business as a partnership and it is successful. The business has one shop which has been running for four years.

Demand for products is seasonal, with peaks during the run-up to Christmas. The shop employs two full-time and one part-time customer assistants who are supported by two owners who both work actively in the business. In addition to serving customers, the assistants assemble the hampers, which are produced on an order-by-order basis.

Employees currently receive a generous 15% discount on purchases from the shop, as well as free car parking and free healthcare insurance.

Customers currently travel up to 30 miles to the shop as the products sold currently has no website or e-commerce operations.

- A1. Employees receive a 15% discount on purchases from the shop. Figure 1 shows the value of purchases made by two employees who used their discount last week.

Figure 1

	Value of purchases	Discount
Chris	£15.60	i) _____
Bobby	£25.60	ii) _____
Total cost of discount		iii) _____

Complete Figure 1 (lines i to iii) to show how much discount each employee received. Show your workings and answer to two decimal places.

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A2. Explain how Emmervale Farm Shop could use profit-sharing to reward staff.

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A3. Analyse the impact of the use of profit-sharing to reward employees at Emm

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# Item B: Emmervale Farm Shop's expansion

Emmervale Farm Shop is so successful that Davina and Millie are considering a website which will enable customers to order products online. This website will be a local company and will initially consist of eight pages of content.

Quality has always been critical to the business and all suppliers have to be monitored which are monitored by the owners.

If the business expands, additional suppliers will need to be selected as the business is already operating to full capacity.

- B1. To be able to meet the additional demand for luxury gift hampers, Emmervale is moving from job production to flow production for this part of the business. Explain a benefit to Emmervale Farm Shop of using this method of production.

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- B2. A £4,000 budget has been set aside for the development of the new website.

The development costs include:

- Registration fee £100.00
- Design of site £1,250.00

The developers will also charge £150.60 per page of content to be created.

State the formula for calculating the total costs. After all of the development costs, what percentage of the budget remaining which can be used to promote the new website?

Show your workings and answer to two decimal places.

Formula:

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Workings:

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B3. Analyse the impact of the proposed expansion on the business's operating costs.

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B4. If the new website goes ahead, Emmervale Farm Shop will need to appoint a person to manage the e-commerce operations. The owners are considering promoting an employee to this position of e-commerce manager. Recommend whether they should appoint a new person or promote an existing employee. Give reasons for your answer.

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**END OF SECTION II**

## Section III

Answer all questions in this section

### Item C: Petz Rescue Centre

Petz Rescue Centre is a charity that cares for and rehomes abandoned pet

The centre has three paid employees (a manager and two animal assistants) and a team of 10 volunteers who do regular shifts as directed by the manager. The centre offers a very high level of customer service.

C1. Explain one drawback to Petz Rescue Centre of using a team of volunteers to



C2. Explain one benefit to Petz Rescue Centre of providing good customer service

C3. As a charity, Petz Rescue has to use non-financial methods of motivating its staff. Analyse the impact of the use of motivational techniques on Petz Rescue.



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C4. Petz Rescue offers a two-day induction for all employees and volunteers who need job training at a local college to cover basic pet welfare. Due to the high turnover, typically puts eight individuals through this induction training each year at a cost of \$1,000. This represents 66.6% of the training budget for the entire year.

Recommend whether the centre should continue to put all staff and volunteer induction training in the future. Give reasons for your answer.

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Education



**Exam continues on next page**

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All employees and volunteers will be given the opportunity to move with expansion, another two full-time employees will also be required.

- different stakeholders
- customer service



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Practice Papers for GCSE AQA Business – Paper 1



# ZigZag Practice Exam Papers

Supporting GCSE AQA Business Paper 1 (8132/01)

## Business

### Paper 1

### Practice Paper B

Name

#### Time

##### allowed

1 hour and 45 minutes

#### Instructions

Answer **all** of the questions and use the space provided.

#### Information

The total number of marks available for this paper is **90**. The number of marks available for each question is shown in brackets.

Your quality of written communication is assessed on starred questions.

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## Section I

Answer all questions within this section

Four options are offered for multiple-choice questions. Select **one answer only** for each question by placing a tick in the box to the right.

1. Which of the following businesses belong to the tertiary sector?
  - A. A quarry
  - B. A car manufacturer
  - C. A farmer
  - D. A bank
2. Which of these tasks would be most likely to be carried out by someone working in the procurement department of a bakery?
  - A. Interview people who have applied for a job vacancy to work in the shop
  - B. Purchase flour from a supplier
  - C. Make cakes
  - D. Serve customers in the shop
3. Which of the following is an example of information that would be found in a personal specification for a job?
  - A. Pay rate
  - B. Skills needed
  - C. Closing date to apply for job
  - D. Business website address
4. Which of the following is a benefit of maintaining quality?
  - A. Increased costs
  - B. Increased staff training
  - C. Inspection costs
  - D. Additional sales
5. Which of the following is an example of a not-for-profit organisation?
  - A. Partnership
  - B. Sole trader
  - C. Charity
  - D. Private limited company
6. Which method of production is most likely to be used by a wedding dress shop?
  - A. Mass
  - B. Job
  - C. Niche
  - D. Flow

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7. Identify two items that should be covered within induction training for employees.

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8. Explain one advantage of using a just-in-case system to manage stock.

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9. Explain one advantage of expanding a business by taking over another business.

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10. Explain one benefit to a business of employing temporary staff.

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11. Explain two benefits for a new business of creating a business plan.

Benefit 1:

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Benefit 2:

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**END OF SECTION I**

## Section II

Answer all questions in the spaces provided

### Item A: Donald's Trumpets

Donald Harris runs a small trumpet business in his local town. He produces trumpets in accordance with individual customer orders. Orders are generated via his website from his town centre.

Donald operates the business as a sole trader and is financially supported in the business by his wife Shelley. However, Shelley went on maternity leave for one week last month and Donald took over her work in the shop on a temporary one-hour contract. Elsie is paid a fixed hourly rate for her work on a zero-hour contract. Elsie is paid a fixed hourly rate for her work on a zero-hour contract.

- A1. Identify two drawbacks to Donald Harris of operating his business as a sole trader.



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- A2. Elsie receives £8 per hour and a commission of 10% of sales. Last week she worked for 10 hours and sold £600 worth of goods. Calculate how much she received last week. Show your working in the spaces provided, rounded to two decimal places.

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- A3. Identify two features of a zero-hour contract of employment.

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- A4. Analyse one way in which Elsie is affected by being employed on a zero-hour contract of employment.



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## Item B: Donald's procurement

Donald's business is doing very well and he is obtaining a lot of orders from his customers. He buys a large volume of materials/components needed to make his trumpets to benefit from economies of scale. Donald is struggling to store all of the materials in his warehouse and is considering moving to a just-in-time system of ordering materials.

Donald has a positive relationship with his suppliers currently. He is very keen to maintain this relationship because the suppliers that he uses have high quality standards and are producing products of the highest quality.

B1. Analyse the impact that economies of scale have on the performance of Donald's business.



B2. Analyse the impact that Donald's policy of using quality materials has on the performance of his business.



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B3. Recommend whether Donald should move to a just-in-time system of ordering materials/components.

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END OF SECTION II



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## Section III

Answer all questions in this section

### Item C: Dolly's Nursery

Five years ago Dorothy was made redundant from her job as a cashier in a bank when her small town closed. As jobs in banking were declining, she decided to start a business. Dorothy always wanted to work with children and so decided to study Early Years at a local college. Undertaking the course meant that Dorothy sacrificed paid work and the opportunity cost was worthwhile.

After qualifying Dorothy decided to use her redundancy money to start a business called Dolly's Nursery. Dorothy established the business as a partnership with her husband, who was a bank clerk. The pair were able to purchase a former shop in the town centre for the nursery.

During the past five years the nursery has been very successful and is now

C1. Explain the term 'opportunity cost' with reference to the information in Item C.

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C2. Explain one benefit to the business of operating as a partnership.

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C3. Explain one benefit to the business of locating the nursery in the centre of the town.

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- C4. The nursery has fixed costs of £18,000 per year. Variable costs, per child, per session are £3.00. The nursery charges £3.00 per child, per session. 1,000 sessions are held at the nursery in the month of October. State the formula for calculating the profit made. Calculate the profit made in the month of October. Show your workings and answer to two decimal places.

Formula:

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Workings:

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- C5. Due to increased demand, Dorothy and Sue are planning to recruit a nursery operations at the nursery. Sally, one of the nursery assistants, has worked at the nursery and joined straight from school as an apprentice. She has heard about the owner becoming the manager. The owners are currently considering all recruitment options and think it is the right thing for the business.

Recommend whether they should appoint Sally to the role of nursery manager.  
Give reasons for your answer.

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## Item D: Expanding by franchise

As the nursery has been so successful over the past five years, Dorothy and her partner have decided to expand their business. During their previous job role in the bank they worked with a company that specialised in franchising and one of them suggested that they turn their nursery business model into a franchise. They could then become franchisors and sell the opportunity to own Dolly's Nursery in other parts of the country.

D1. Analyse the impact of expanding the nursery by selling franchise opportunities. Consider:

- the suitability of franchising as a way of expanding
- business performance

Evaluate which area of the business this will have the greatest impact on. Use evidence to support your answer.



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**END OF PAPER**

# ZigZag Practice Exam Papers

Supporting GCSE AQA Business Paper 1 (8132/01)

## Business

### Paper 1

### Practice Paper 1

Name

#### Time

##### allowed

1 hour and 45 minutes

#### Instructions

Answer **all** of the questions and use the space provided.

#### Information

The total number of marks available for this paper is **90**. The number of marks available for each question is shown in brackets.

Your quality of written communication is assessed on starred questions.

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## Section I

Answer all questions within this section

Four options are offered for multiple-choice questions. Select **one answer only** for each question by placing a tick in the box to the right.

1. What type of business would Prestock plc be?
  - A. Sole trader
  - B. Partnership
  - C. Private limited company
  - D. Public limited company
2. Which of the following is a feature of a service?
  - A. Has a physical presence
  - B. Tailor-made
  - C. Intangible
  - D. Is heavy
3. Which of these statements describes 'diseconomies of scale'?
  - A. Where the cost per unit increases as the number produced increases
  - B. Where the cost per unit reduces as the number produced increases
  - C. Where the cost per unit increases as the number produced reduces
  - D. Where the cost per unit reduces as the number produced reduces
4. Which of the following is most likely to boost staff motivation in a business?
  - A. A pay reduction
  - B. Poor communication
  - C. Running a team-building day
  - D. High numbers of customer complaints
5. Which functional area is responsible for purchasing raw materials?
  - A. Procurement
  - B. Marketing
  - C. Human resources
  - D. Distribution
6. Which of the following is most likely to be a characteristic of an entrepreneur?
  - A. Unwilling to take a risk
  - B. Hard working
  - C. Disorganised
  - D. Gives up easily when things do not go to plan

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7. Identify two pieces of information that are likely to be included in a job description.

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8. Explain one factor that will influence the location decision of a business.

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9. Explain one benefit to a business of using internal recruitment to fill a vacancy.

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10. Explain one potential problem that could occur when using a just-in-time system.

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11. Explain two benefits to a business of allowing staff to work from home.

Benefit 1:

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Benefit 2:

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**END OF SECTION I**

## Section II

Answer all questions in the spaces provided

### Item A: Karen's Soaps

Karen decided to give her friends a 'different' present one Christmas and soap gift. All of her friends loved her soap and said that she should set up selling soaps. When Karen's aunt died she inherited some money and she establish a small handmade soap business which she called Karen's Soaps.

Karen decided to start off on a small scale and focused on selling her soap through her website.

- A1. Identify the factors of production.

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- A2. Karen lists her operating costs over a three-month period. Figure 1 shows the number of soaps made over a three-month period.

Figure 1

	Operating costs	Number of soaps made
April	£254	231
May	£250	268
June	£180	174

Average cost per unit over the three-month period is iv. \_\_\_\_\_

Using the data within Figure 1, calculate the average cost per unit for each of

Based on your answers, calculate the average cost per unit over the three-month

Write your answers in the spaces labelled i to iv.

Show your workings and answer to 3 decimal places.

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- A3. In an attempt to reduce her operating costs, Karen is considering looking to materials she needs to make her soaps.

Identify two factors that affect her choice of supplier.

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- A4. Analyse one way in which a change of supplier may affect the standard of customer service that Karen offers.

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# Item B: Operating in line with the law

Karen's Soaps has received a lot of positive reviews in America and sales are increasing rapidly. To cope with the increasing demand Karen decides to help her, and after a thorough recruitment and selection process she appoints Sam. Sam has never employed anyone before and she decides to undertake a short college course on employment legislation that she will have to follow.

At the course Karen meets other small businesses owners who make cosmetic products. When speaking with them she discovers that there are a lot of new consumer protection laws for her business. Karen is too busy to learn about these new laws and decides to ask Sam for learning about these laws to Sam.

B1. Analyse the impact of employment legislation on Karen's business.



B2. Analyse the benefits of having an effective recruitment and selection process.



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B3. Recommend whether Karen should invest in off-the-job training to give Sam the new consumer laws affecting cosmetic products.

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## Section III

Answer all questions in this section

### Item C: J's Irresistible Cakes

James has always enjoyed baking cakes and completed a Hospitality Management qualification last summer. James lives in a rural area with limited opportunities for employment. When he wanted to move to a different part of the country, he decided to set up his own business which he called J's Irresistible Cakes. To set up his sole trader business, James secured a loan from his bank.

James operates his business from a friend's café kitchen. Initially all orders were taken in person. However, during the fourth month of trading James decides to launch a website with an online ordering facility.

C1. Identify two appropriate business objectives for J's Irresistible Cakes for its first year of trading.

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C2. Explain how the launch of the website and online order facility will support the business objectives identified in question C1.

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C3. Explain how fluctuating interest rates might affect James's business.

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- C4. J's Irresistible Cakes has fixed costs of £8,000 per year. Variable costs, per cake, are £15. The business currently charges £25 per celebration cake and sells an average of 40 cakes per month.

Show the formula to calculate the profit made, and calculate the profit that a typical month. Show your workings and answer to two decimal places.

Formula:

.....


Workings:


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- C5. At a recent meeting James's bank manager suggested that James should consider forming a company as he feels that being a sole trader is hindering his profitability.

Recommend whether James should convert his business to a private limited.  
Give reasons for your answer.

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- Use evidence to support your evaluation.

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# ZigZag Practice Exam Papers

Supporting GCSE AQA Business Paper 1 (8132/01)

## Business

### Paper 1

### Practice Paper 1

Name

#### Time

##### allowed

1 hour and 45 minutes

#### Instructions

Answer **all** of the questions and use the space provided.

#### Information

The total number of marks available for this paper is **90**. The number of marks available for each question is shown in brackets.

Your quality of written communication is assessed on starred questions.

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## Section I

Answer all questions within this section

Four options are offered for multiple-choice questions. Select **one answer only** for each question by placing a tick in the box to the right.

1. Which of these is a drawback of a sole trader?
  - A. Limited liability
  - B. Can share decision-making
  - C. Can keep all of the profits
  - D. Unlimited liability
2. Which of these businesses should belong to the tertiary sector?
  - A. Hairdresser
  - B. Helicopter manufacturer
  - C. Dairy farmer
  - D. Boatbuilder
3. What name is given to an owner of Design Ltd?
  - A. Sole trader
  - B. Stakeholder
  - C. Shareholder
  - D. Partner
4. What term is given when the business's costs are equal to its sales revenue?
  - A. Profit
  - B. Loss
  - C. Break-even
  - D. Turnover
5. Which of the following is a common objective for an employee within a business?
  - A. Maximise pay
  - B. Boring work
  - C. High share price
  - D. High dividend payments
6. Which type of cost changes as the level of output changes?
  - A. Fixed costs
  - B. Variable costs
  - C. Revenue
  - D. Turnover

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7. Identify two objectives that an entrepreneur is likely to have.

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8. Explain one advantage to an employee of working in a tall organisational structure.

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9. Explain one benefit that limited liability offers the owners of a business.

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10. Explain one benefit of decentralisation for a business.

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11. Explain two benefits to a business of growing externally through mergers.

Benefit 1:

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Benefit 2:

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**END OF SECTION I**

## Section II

Answer all questions in the spaces provided

### Item A: PR Animal Hotel

Peter and Rosa are planning to set up a business called PR Animal Hotel which will care for animals, such as rabbits, gerbils, budgies, hamsters, rats and guinea pigs, on a holiday. Rosa currently works as a veterinary nurse and Peter works in an office. They will both give up their jobs to work full-time in the business.

There are no similar businesses in the area except for a small cattery which is nearby. However, the owners of this business are concerned about the impact of PR Animal Hotel on their business and, about one month ago, they started to care for rabbits and gerbils in order to attract more owners and holiday.

Peter and Rosa have a large garden and plan to build an out building where the animals can stay with them. In order to build the out building, the pair need to approach a bank manager who has asked them to complete a business plan.

The pair plan to employ two employees who will work part-time. The employees will work on weekends in order to give Peter and Rosa a short break from running the business.

- A1. Identify two sections that may be included in a business plan.

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- A2. Peter and Rosa plan to employ two members of staff who will work 25 hours per week. Both members will both be aged under 25 years.

Calculate the difference in the business's weekly expenditure on staff wages if the hourly wage level increases from £5.55 to £5.90 per hour. Assume that the number of hours worked per week remains the same.

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- A3. Identify two headings that may be included within a job description for one of the employees at PR Animal Hotel.

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- A4. Analyse the potential impact of the competition accepting rabbits and gerbils of Peter and Rosa's business.

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## Item B: Managing people at PR Animal Hotel

One year on, and Peter and Rosa have established PR Animal Hotel. Its quick reputation and customer numbers are growing. Peter and Rosa take a hands-on approach to running the business and prefer to do most tasks themselves due to problems with the two employees who work at weekends. Peter uses an authoritarian leadership style.

B1. Analyse the impact of a motivated workforce on the customer service that PR Animal Hotel can provide.

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B2. Analyse the impact that changing the style of management used may have on the customer service that PR Animal Hotel can provide.

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B3. PR Animal Hotel has been very successful during its first year of trading and meet customer demand. Rosa suggests that they employ a full-time animal feels that employing two part-time animal care assistants would meet the b are running a small business with a limited budget, the owners can only affo

Recommend whether PR Animal Hotel should employ one full-time animal care assistant or two part-time animal care assistants. Give reasons for your advice.

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## Section III

Answer all questions in the spaces provided

### Item C: Bertie's Bags

Bertie's Bags has been operating for 50 years. The business was started by Bertram and became a private limited company in 2002. Bertram retired two years ago, and the business is now run by Bertram's sons, John and Derek.

The business produces cloth bags by hand. It employs a highly trained workforce of 15 employees. Quality is critical and the business uses TQM.

The launch of the new plastic carrier bag levy has boosted demand for cloth bags. The business is planning to build a new factory within the town to enable the business to meet the increased demand.

C1. Identify two stakeholders who may influence the operations of the business.

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C2. Explain one way that a member of the local community may react to news of the business's plans.

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C3. Explain one benefit to the business of using TQM.

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C4. John and Derek feel it would be a good time to launch a new website. A £5,000 budget is allocated to the development of the new website consisting of six pages of content initially. The initial content to be included is:

- registration fee £100.00
- design of site £1,250.00

The developers will also charge £150.60 per page of content to be created.

State the formula for calculating the total costs.

After all of the development costs are paid, calculate the percentage of the budget that can be used to promote the new website. Show your workings and answer to 1 decimal place.

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C5. The business has purchased raw materials used to make the bags from the same supplier for the last 10 years. The cost of the new factory is significant and John and Derek are looking for ways to reduce costs. John finds a supplier who can supply the materials for 5% cheaper than the current supplier.

Recommend whether the business should change to the new cheaper supplier. Give reasons for your answer.

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## Item D: Managing stock

Stocks of raw materials and finished cloth bags are currently managed using a just-in-case (JIC) system. Bertie's Bags has supplied some shops for the past 20 years and prides itself on being able to supply orders at short notice.

After a recent flood in the warehouse, John suggests that it would be wise to change to a just-in-time (JIT) system of stock management for raw materials and finished products.

D1. Analyse the impact of changing from a just-in-case (JIC) to a just-in-time (JIT) system. In your answer you should consider:

- the suitability of JIT
- the impact on profitability

Evaluate, using evidence to support your answer, which approach to stock management is best for Bertie's Bags.



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**END OF PAPER**

# Practice Paper A

## Section I

Answer all questions within this section

Four options are offered for multiple-choice questions. Select **one answer only** for

1. What type of business would Colin's Cranes Ltd be?
  - A. Sole trader
  - B. Partnership
  - C. Private limited company
  - D. Public limited company
2. Which functional area is responsible for advertising a job vacancy?
  - A. Finance
  - B. Human resources
  - C. Marketing
  - D. Procurement
3. Which of the following documents would be used by a business when recruiting a new member of staff?
  - A. Break-even chart
  - B. Cash flow forecast
  - C. Person description
  - D. Person specification
4. What is the name given to an individual or organisation that affects, or is affected by, the activities of a business?
  - A. Shareholder
  - B. Neighbour
  - C. Stakeholder
  - D. Owner
5. Which of the following is a disadvantage to a business of using a just-in-time system?
  - A. May not be able to meet a rush order
  - B. Stock may go out of date
  - C. Poorer quality
  - D. Reduced staff motivation
6. Which of these statements describes 'economies of scale'?
  - A. Where the cost per unit increases as the number produced increases
  - B. Where the cost per unit reduces as the number produced increases
  - C. Where the cost per unit increases as the number produced reduces
  - D. Where the cost per unit reduces as the number produced reduces
7. Identify the meaning of the secondary sector, and give an example of a secondary sector business.
8. Explain one advantage of external recruitment.
9. Explain one advantage to a business of having a decentralised organisational structure.
10. Explain one benefit to a business of having a motivated workforce.
11. Explain two benefits to a business of managing stock using a just-in-case (JIC) system.

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## Section II

Answer all questions

### Item A: Emmervale Farm Shop

Davina and Millie own Emmervale Farm Shop, which is a small shop selling fresh produce including fruit/vegetables, meat, and luxury gift hampers of gourmet food products. All items are responsibly sourced with fair prices paid to producers/farmers. Quality standards are maintained with regular visits to production standards. The owners run the business as a partnership and it has been running for four years.

Demand for products is seasonal, with peaks during the run-up to Christmas. The shop employs one full-time and one part-time customer assistants who are supported by two volunteers who both work actively in the business. In addition to serving customers, the assistants assemble the hampers, which are produced on an order-by-order basis.

Employees currently receive a generous 15% discount on purchases from the shop, as well as free car parking and free healthcare insurance.

Customers currently travel up to 30 miles to the shop as the products sold currently has no website or e-commerce operations.

- A1. Employees receive a 15% discount on purchases from the shop. Figure 1 shows the value of purchases made by two employees who used their discount last week.

Figure 1

	Value of purchases	
Chris	£15.60	
Bobby	£25.60	
Total cost of discount		

Copy and complete Figure 1 to show how much discount each employee received on their purchases last week. Show your workings and answer to two decimal places.

- A2. Explain how Emmervale Farm Shop could use profit-sharing to reward staff.
- A3. Analyse the impact of the use of profit-sharing to reward employees at Emmervale Farm Shop.

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## Item B: Emmervale Farm Shop's Expansion

Emmervale Farm Shop is so successful that Davina and Millie are considering a website which will enable customers to order products online. This website will be a local company and will initially consist of eight pages of content.

Quality has always been critical to the business and all suppliers have to meet standards which are monitored by the owners.

If the business expands, additional suppliers will need to be selected as the business is already operating to full capacity.

- B1. To be able to meet the additional demand for luxury gift hampers, Emmervale Farm Shop is moving from job production to batch production for this part of the business.

Explain a benefit to Emmervale Farm Shop of using this method of production.

- B2. A £4,000 budget has been set aside for the development of the new website.

The development costs include:

- Registration fee £100.00
- Design of site £1,250.00

The developers will also charge £150.60 per page of content to be created.

State the formula for calculating the total costs. After all of the development costs, calculate the percentage of the budget remaining which can be used to promote the new website.

Show your workings and answer to two decimal places.

- B3. Analyse the impact of the proposed expansion on the business's operating costs.

- B4. If the new website goes ahead, Emmervale Farm Shop will need to appoint a manager for e-commerce operations. The owners are considering promoting an employee to the position of e-commerce manager. Recommend whether they should appoint an employee in this way. Give reasons for your answer.

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## Section III

Answer all questions in this section

### Item C: Petz Rescue Centre

Petz Rescue Centre is a charity that cares for and rehomes abandoned pet

The centre has three paid employees (a manager and two animal assistants) and a team of 10 volunteers who do regular shifts as directed by the manager. The centre is offering a very high level of customer service.

- C1. Explain one drawback to Petz Rescue Centre of using a team of volunteers to provide customer service.
- C2. Explain one benefit to Petz Rescue Centre of providing good customer service.
- C3. As a charity, Petz Rescue has to use non-financial methods of motivating its employees. Analyse the impact of the use of motivational techniques on Petz Rescue.
- C4. Petz Rescue offers a two-day induction for all employees and volunteers who start their job training at a local college to cover basic pet welfare. Due to the high turnover, the centre typically puts eight individuals through this induction training each year at a cost of 66.6% of the training budget for the entire year.

Recommend whether the centre should continue to put all staff and volunteer through the induction training in the future. Give reasons for your answer.

### Item D: Petz Rescue Centre's new location

Petz Rescue Centre currently operates from city centre premises. The land in the city centre is currently occupied and there is no room for expansion.

A former farm is available and the trustees of the charity are considering moving from the city centre to the farm. The farm is five miles away from the current location. If the farm is available, the rescue centre will be able to increase the range of animals that it could accept horses or farm animals.

All employees and volunteers will be given the opportunity to move with the centre. In addition, another two full-time employees will also be required.

- D1. Analyse the impact of the following of moving from a city centre location to a former farm:
- different types of customers
  - customer service

Evaluate which of these groups will feel the biggest impact from the move.

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# Practice Paper B

## Section I

Answer all questions within this section

Four options are offered for multiple-choice questions. Select **one answer only** for each question.

1. Which of the following businesses belong to the tertiary sector?
  - A. A quarry
  - B. A car manufacturer
  - C. A farmer
  - D. A bank
2. Which of these tasks would be most likely to be carried out by someone working in the procurement department of a bakery?
  - A. Interview people who have applied for a job vacancy to work in the shop
  - B. Purchase flour from a supplier
  - C. Make cakes
  - D. Serve customers in the shop
3. Which of the following is an example of information that would be found in a personal specification for a job?
  - A. Pay rate
  - B. Skills needed
  - C. Closing date to apply for job
  - D. Business website address
4. Which of the following is a benefit of maintaining quality?
  - A. Increased costs
  - B. Increased staff training
  - C. Inspection costs
  - D. Additional sales
5. Which of the following is an example of a not-for-profit organisation?
  - A. Partnership
  - B. Sole trader
  - C. Charity
  - D. Private limited company
6. Which method of production is most likely to be used by a wedding dress shop?
  - A. Mass
  - B. Job
  - C. Niche
  - D. Flow
7. Identify two items that should be covered within induction training for employees.
8. Explain one advantage of using a just-in-case system to manage stock.
9. Explain one advantage of expanding a business by taking over another business.
10. Explain one benefit to a business of employing temporary staff.
11. Explain two benefits for a new business of creating a business plan.

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## Section II

Answer all questions

### Item A: Donald's Trumpets

Donald Harris runs a small trumpet business in his local town. He produces trumpets in accordance with individual customer orders. Orders are generated via his website from his town centre.

Donald operates the business as a sole trader and is financially supported in the home by his wife Shelley. However, Shelley went on maternity leave for one year last month and Donald now has to work in the shop on a temporary or zero-hour contract. Elsie is paid £8 per hour plus a commission on sales. Elsie is paid a commission of 10% of sales.

- A1. Identify two drawbacks to Donald Harris of operating his business as a sole trader.
- A2. Elsie receives £8 per hour and a commission of 10% of sales. Last week she worked for 10 hours and sold £600 worth of goods. Calculate how much she received last week. Show your working and answers to two decimal places.
- A3. Identify two features of a zero-hour contract of employment.
- A4. Analyse one way in which Elsie is affected by being employed on a zero-hour contract of employment.

### Item B: Donald's procurement

Donald's business is doing very well and he is obtaining a lot of orders from his website. He buys a large volume of materials/components needed to make his trumpets. He wants to benefit from economies of scale. Donald is struggling to store all of the materials/components in his warehouse and is considering moving to a just-in-time system of ordering materials/components.

Donald has a positive relationship with his suppliers currently. He is very keen to maintain this relationship because the suppliers that he uses have high quality standards and are producing products of the highest quality.

- B1. Analyse the impact that economies of scale have on the performance of Donald's business.
- B2. Analyse the impact that Donald's policy of using quality materials has on customer satisfaction.
- B3. Recommend whether Donald should move to a just-in-time system of ordering materials/components.

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## Section III

Answer all questions in this section

### Item C: Dolly's Nursery

Five years ago Dorothy was made redundant from her job as a cashier in a bank when her small town closed. As jobs in banking were declining, she decided to start a business. Dorothy always wanted to work with children and so decided to study Early Years at college. Undertaking the course meant that Dorothy sacrificed paid work and so the opportunity cost was worthwhile.

After qualifying Dorothy decided to use her redundancy money to start a business called Dolly's Nursery. Dorothy established the business as a partnership with her husband, who banked with her. The pair were able to purchase a former shop in the town centre for the nursery.

During the past five years the nursery has been very successful and is now

- C1. Explain the term 'opportunity cost' with reference to the information in Item C.
- C2. Explain one benefit to the business of operating as a partnership.
- C3. Explain one benefit to the business of locating the nursery in the centre of the town.
- C4. The nursery has fixed costs of £18,000 per year. Variable costs, per child, per session, are £3.00. The nursery charges £3.00 per child, per session. 1,000 sessions are held at the nursery in the month of October. State the formula for calculating the profit made. Calculate the profit made by the nursery in the month of October. Show your workings and answer to two decimal places.
- C5. Due to increased demand, Dorothy and Sue are planning to recruit a nursery assistant to help with operations at the nursery. Sally, one of the nursery assistants, has worked at a nursery and has joined straight from school as an apprentice. She has heard about the owners becoming the manager. The owners are currently considering all recruitment options and want to do the right thing for the business.

Recommend whether they should appoint Sally to the role of nursery manager. Give reasons for your answer.

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### Item D: Expanding by franchise

As the nursery has been so successful over the past five years, Dorothy and her partner have decided to expand their business. During their previous job role in the bank they worked with a group of business owners and one of them suggested that they turn their nursery business model into a franchise. This way they could then become franchisors and sell the opportunity to own Dolly's Nursery in different parts of the country.

D1. Analyse the impact of expanding the nursery by selling franchise opportunities. Consider:

- the suitability of franchising as a way of expanding
- business performance

Evaluate which area of the business you think will have the greatest impact on. Use evidence to support your answer.



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# Practice Paper C

## Section I

Answer all questions within this section

Four options are offered for multiple-choice questions. Select **one answer only** for each question.

1. What type of business would Prestock plc be?
  - A. Sole trader
  - B. Partnership
  - C. Private limited company
  - D. Public limited company
2. Which of the following terms is a feature of a service?
  - A. Has a physical form
  - B. Transportable
  - C. Intangible
  - D. Is heavy
3. Which of these statements describes 'diseconomies of scale'?
  - A. Where the cost per unit increases as the number produced increases
  - B. Where the cost per unit reduces as the number produced increases
  - C. Where the cost per unit increases as the number produced reduces
  - D. Where the cost per unit reduces as the number produced reduces
4. Which of the following is most likely to boost staff motivation in a business?
  - A. A pay reduction
  - B. Poor communication
  - C. Running a team-building day
  - D. High numbers of customer complaints
5. Which functional area is responsible for purchasing raw materials?
  - A. Procurement
  - B. Marketing
  - C. Human resources
  - D. Distribution
6. Which of the following is most likely to be a characteristic of an entrepreneur?
  - A. Unwilling to take a risk
  - B. Hard-working
  - C. Disorganised
  - D. Gives up easily when things don't go to plan
7. Identify two pieces of information that are likely to be included in a job description.
8. Explain one factor that will influence the location decision of a business.
9. Explain one benefit to a business of using internal recruitment to fill a vacancy.
10. Explain one potential problem that could occur when using a just-in-time system.
11. Explain two benefits to a business of allowing staff to work from home.

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## Section II

Answer all questions

### Item A: Karen's Soaps

Karen decided to give her friends a 'different' present one Christmas and a soap gift. All of her friends loved her soap and said that she should set up selling soaps. When Karen's aunt died she inherited some money and she established a small handmade soap business which she called Karen's Soaps.

Karen decided to start off on a small scale and focused on selling her soap through her website.

- A1. Identify two factors of production.
- A2. Karen lists her operating costs over a three-month period. Figure 1 shows the number of soaps made over a three-month period.

Figure 1

	Operating costs	Number of soaps made
April	£254	231
May	£250	268
June	£180	174

Average cost per unit over the three-month period is:

Using the data within Figure 1, calculate the average cost per unit for each of the three months.

Based on your answers, calculate the average cost per unit over the three-month period.

Show your workings and answer to two decimal places.

- A3. In an attempt to reduce her operating costs, Karen is considering looking to change the materials she needs to make her soaps.

Identify two factors that affect her choice of supplier.

- A4. Analyse one way in which a change of supplier may affect the standard of customer service that Karen offers.

### Item B: Operating in line with the law

Karen's Soaps has received a lot of positive reviews in America and sales are increasing rapidly. To cope with the increasing demand Karen decides to help her, and after a thorough recruitment and selection process she appoints Sam. Sam has never employed anyone before and she decides to undertake a short college course on employment legislation which she will have to follow.

At the college Sam meets other small businesses owners who make cosmetic products. When speaking to them she discovers that there are a lot of new consumer protection laws affecting her business. Karen is too busy to learn about these new laws and decides to ask Sam for learning about these laws to Sam.

- B1. Analyse the impact of employment legislation on Karen's business.
- B2. Analyse the benefits of having an effective recruitment and selection process.
- B3. Recommend whether Karen should invest in off-the-job training to give Sam the new consumer laws affecting cosmetic products.

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## Section III

Answer all questions in this section

### Item C: J's Irresistible Cakes

James has always enjoyed baking cakes and completed a Hospitality Management qualification last summer. James lives in a rural area with limited opportunities for employment. As he wants to move to a different part of the country, he decided to set up his own business which he called J's Irresistible Cakes. To set up his sole trader business, James secured a loan from his bank.

James operates his business from a friend's café kitchen. Initially all orders were taken in person. However, during the fourth month of trading James decides to launch a website with an online ordering facility.

- C1. Identify two appropriate business objectives for J's Irresistible Cakes for its first year of trading.
- C2. Explain how the launch of the website and online order facility will support two of the business objectives identified in question C1.
- C3. Explain how fluctuating interest rates might affect James's business.
- C4. J's Irresistible Cakes has fixed costs of £8,000 per year. Variable costs, per cake, are £12. James currently charges £25 per celebration cake and sells an average of 40 cakes per month.
- Show the formula to calculate the profit made, and calculate the profit that James makes in a typical month. Show your workings and answer to two decimal places.
- C5. At a recent meeting James's bank manager suggested that James should convert his business to a private limited company as he feels that being a sole trader is hindering his profitability.
- Recommend whether James should convert his business to a private limited company. Give reasons for your answer.

### Item D: Business ethics

James has always supported businesses which operate in an ethical manner. He believes that a business in an ethical manner; however the firm who operates the café where he works, the profit will need to be sacrificed in order to behave ethically.

- D1. Analyse the decision and evaluate the possible trade-off between ethics and profit. In your answer, address the following questions:
- Can unethical businesses maximise profitability?
  - Does ethical behaviour satisfy all stakeholders?
- Use evidence to support your evaluation.

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# Practice Paper D

## Section I

Answer all questions within this section

Four options are offered for multiple-choice questions. Select **one answer only** for each question.

1. Which of these is a drawback of a sole trader?
  - A. Limited liability
  - B. Can share decision-making
  - C. Can keep all of the profits
  - D. Unlimited liability
2. Which of these businesses could belong to the tertiary sector?
  - A. Hairdressers
  - B. Hairbrush manufacturer
  - C. Dairy farmer
  - D. Boatbuilder
3. What name is given to an owner of Design Ltd?
  - A. Sole trader
  - B. Stakeholder
  - C. Shareholder
  - D. Partner
4. What term is given when the business's costs are equal to its sales revenue?
  - A. Profit
  - B. Loss
  - C. Break-even
  - D. Turnover
5. Which of the following is a common objective for an employee within a business?
  - A. Maximise pay
  - B. Boring work
  - C. High share price
  - D. High dividend payments
6. Which type of costs changes as the level of output changes?
  - A. Fixed costs
  - B. Variable costs
  - C. Revenue
  - D. Turnover
7. Identify two objectives that an entrepreneur is likely to have.
8. Explain one advantage to an employee of working in a tall organisational structure.
9. Explain one benefit that limited liability offers the owners of a business.
10. Explain one benefit of decentralisation for a business.
11. Explain two benefits to a business of growing externally through mergers.

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## Section II

Answer all questions

### Item A: PR Animal Hotel

Peter and Rosa are planning to set up a business called PR Animal Hotel with animals, such as rabbits, gerbils, budgies, hamsters, rats and guinea pigs, as a holiday. Rosa currently works as a veterinary nurse and Peter works in an office. They will both give up their jobs to work full-time in the business.

There are no similar businesses in the area except for a small cattery which is closed, however, the owners of this business are concerned about the impact of PR Animal Hotel and, about one month ago, they started to care for rabbits and gerbils in order that their owners are on holiday.

Peter and Rosa have a large garden and plan to build an out building where the animals that stay with them. In order to build the out building, the pair need to approach a bank manager who has asked them to complete a business plan.

The pair plan to employ two employees who will work part-time. The employees will work weekends in order to give Peter and Rosa a short break from running the business.

- A1. Identify two sections that may be included in a business plan.
- A2. Peter and Rosa plan to employ two members of staff who will work 25 hours per week. Both members will both be aged under 25 years.
- Calculate the difference in the business's weekly expenditure on staff wages if the hourly wage level increases from £5.55 to £5.90 per hour. Assume that the number of hours worked per week remains the same.
- A3. Identify two headings that may be included within a job description for one of the employees at PR Animal Hotel.
- A4. Analyse the potential impact of the competition accepting rabbits and gerbils on the success of Peter and Rosa's business.

### Item B: Managing people at PR Animal Hotel

One year on, Peter and Rosa have established PR Animal Hotel. It quickly gained a good reputation and customer numbers are growing. Peter and Rosa take a hands-on approach to the business and prefer to do most tasks themselves due to problems suffered by the two employees who work weekends. Peter uses an authoritarian leadership style.

- B1. Analyse the impact of a motivated workforce on the customer service that PR Animal Hotel can provide.
- B2. Analyse the impact that changing the style of management used may have on the success of PR Animal Hotel.
- B3. PR Animal Hotel has been very successful during its first year of trading and is struggling to meet customer demand. Rosa suggests that they employ a full-time animal care assistant. Peter feels that employing two part-time animal care assistants would meet the business's needs. As they are running a small business with a limited budget, the owners can only afford to employ one full-time animal care assistant. Recommend whether PR Animal Hotel should employ one full-time animal care assistant or two part-time animal care assistants. Give reasons for your advice.

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## Section III

Answer all questions

### Item C: Bertie's Bags

Bertie's Bags has been operating for 50 years. The business was started by Bertram and became a private limited company in 2002. Bertram retired two years ago, and the business is now run by Bertram's sons, John and Derek.

The business produces cloth bags by hand. It employs a highly trained workforce of 15 employees. Quality is critical and the business uses TQM.

The launch of the new plastic carrier bag levy has boosted demand for cloth bags. John and Derek are planning to build a new factory within the town to enable the business to meet the increased demand.

- C1. Identify two stakeholders who may influence the operations of the business.
- C2. Explain one way that a member of the local community may react to news of the new factory.
- C3. Explain one benefit to the business of using TQM.
- C4. John and Derek feel it would be a good time to launch a new website. A £5,000 budget has been allocated for the development of the new website consisting of six pages of content initially. The initial costs include:
- registration fee £100.00
  - design of site £1,250.00

The developers will also charge £150.60 per page of content to be created.

State the formula for calculating the total costs.

After all of the development costs are paid, calculate the percentage of the budget that can be used to promote the new website. Show your workings and answer to one decimal place.

- C5. The business has purchased raw materials used to make the bags from the same supplier for 50 years. The cost of the new factory is significant and John and Derek are looking for ways to reduce costs. John finds a supplier who can supply the materials for 10% cheaper than the current supplier. Recommend whether the business should change to the new cheaper supplier. Give reasons for your answer.

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## Item D: Managing stock

Stocks of raw materials and finished cloth bags are currently managed using a just-in-case (JIC) system. Bertie's Bags has supplied some shops for the past 20 years and prides itself on being able to supply orders at short notice.

After a recent flood in the warehouse John suggests that it would be wise to implement a just-in-time (JIT) system of stock management for raw materials and finished products.

- D1. Analyse the impact of changing from a just-in-case (JIC) to a just-in-time (JIT) system of stock management. In your answer you should consider:
- the suitability of JIT
  - the impact on profitability

Evaluate, using evidence to support your answer, which approach to stock management is more suitable for Bertie's Bags.



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## Practice Paper A

OFR means 'Own Figure Rule'. This means that when a student makes a calculation figure for a later calculation or analysis, credit can be given for correct use/interpretation (i.e. students have worked correctly with their 'own figure').

### Section I

Total for this section: 20 marks

Question number	Answer
1	C
2	B
3	D
4	C
5	A
6	

1–6 = AO1 x 6  
(1 mark for each correct answer)

7. Explain the meaning of the secondary sector, using one business example.

**Marks for this question:** AO1 = 2

1 mark for knowledge of secondary sector

1 mark for a correct business example

**Possible answers include:**

- Understanding the secondary sector consists of organisations that support the secondary sector and convert primary sector resources / raw materials into finished products.

**Indicative content:**

- Manufacturers of any product, e.g. cars, furniture, food
- Printers
- Housebuilders

The indicative content is not exhaustive; other creditworthy material should be awarded credit.

**Example of a developed response:**

*The secondary sector consists of organisations that support the second stage of the production process, converting primary sector resources / raw materials into finished products (1), e.g. a car manufacturer (1).*

8. Explain one advantage of external recruitment.

**Marks for this question:** AO1 = 2

1 mark for knowledge of an advantage of using external recruitment

1 mark for developing the answer, explaining an advantage of using external recruitment

**Possible answers include:**

- Acquire new skills/knowledge in the organisation
- May bring new ideas
- Avoids a vacancy being created within the organisation

**Example of a developed response:**

*It will allow the business to recruit new members of staff with new skills/knowledge currently not in the organisation (1) which can be used to complement the skills/knowledge of existing staff or support new products (1).*

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9. Explain one advantage of a decentralised organisational structure.

**Marks for this question:** AO1 = 3

1 mark for one valid advantage identified

2 marks for developing the answer, explaining an advantage

**Possible answers include:**

- Motivate employee if they are given the authority to make decisions for their area
- Can lead to better decisions – local demands are better understood
- Decision-making may be quicker
- Reduce the pressure on senior managers

**Example of a developed response:**

Decentralisation may lead to better decision-making (1) as local demands are better understood (1). This allows the decision to be tailored to local needs and the decision is more likely to be successful (1).

10. Explain one benefit to a business of having a motivated workforce.

**Marks for this question:** AO1 = 3

1 mark for one valid benefit identified

2 marks for developing the answer, explaining a benefit

**Possible answers include:**

- Motivated staff tend to work harder, so productivity may rise
- Higher staff retention
- Positive atmosphere at work

**Example of a developed response:**

Motivated workers are less likely to leave a business so staff retention will be higher (1). This means the business will have more experienced staff (1). Due to their experience, they will be more productive and make fewer mistakes (1).

11. Explain two benefits to a business of managing stock using a just-in-case (JIC) system.

**Marks for this question:** AO1 = 4

1 mark for knowledge of each benefit of using a just-in-case system up to a maximum of 2 marks

1 mark for developing the answer, explaining the benefit of using just-in-case up to a maximum of 2 marks

**Possible answers include:**

- Will have spare stock to supply orders at short notice
- Can order in bulk and benefit from economies of scale
- May benefit from less frequent deliveries
- May have better relations with suppliers as more notice is likely to be given for orders

**Example of a developed response:**

It will allow the business to satisfy orders received at short notice (1) which other rival businesses using a just-in-time system, may not be able to do, thereby allowing the business to benefit from increased sales (1).

The business may be able to benefit from a USD (1) by being able to be flexible to satisfy orders (1). This will help its reputation and market position (1).

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## Section II

Total for this section: 35 marks

A1. Employees receive a 15% discount on purchases from the shop. Figure 1 shows the purchases made by two employees who used their discount last week.

Figure 1

	Value of purchases	Discount received
Chris	£15.60	i) _____
Bobby	£25.60	ii) _____
Total cost of discount		iii) _____

Complete Figure 1 to show how much discount each employee received and the total discount received by the business last week. Show your workings and answer to two decimal places.

**Marks for this question:** AO2 = 3

AO2 – Applies the correct calculations x 3

Discount offered to each employee

- i) Chris =  $15\% \times £15.60 = £2.34$  (1)
- ii) Bobby =  $15\% \times £25.60 = £3.84$  (1)
- iii) Total cost of discount =  $£2.34 + 3.84 = £6.18$  (1) (OFR)

A2. Explain how Emmervale Farm Shop could use profit-sharing to reward staff.

**Marks for this question:** AO1 = 2

1 mark for knowledge of profit-sharing

1 mark for developing answer, showing knowledge of profit-sharing

**Possible answers include:**

- Each employee will receive a share of the profit made by the business
- The business could offer all staff a set percentage share of profits made divided by the number of staff (or all profits made divided by number of staff). Alternatively, the business could offer a bonus (which could vary each year in line with profits made).
- Reward is directly linked to the performance of the business – this can motivate employees and help the business to control expenditure on staff rewards in line with performance.

**Example of a developed response:**

*Emmervale Farm Shop could use profit-sharing to give each employee a share of the profit made. For example, each employee could receive 3% of profits made as a bonus at the end of the year.*

A3. Analyse the impact of the use of profit-sharing to reward employees at Emmervale Farm Shop.

**Marks for this question:** AO2 = 3; AO3 = 2

Level	Description
0	No relevant use of any marks
1	Elementary analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>Elementary analysis of impact on business and employees</li> <li>Elementary knowledge and understanding of use of profit-sharing is applied</li> </ul>
2	Some analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>Partial analysis of impact on business</li> <li>Applies some knowledge and understanding of use of profit-sharing to the context</li> </ul>
3	Comprehensive analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>Impact on business and/or employees is completely analysed appropriately</li> <li>Applies knowledge and understanding of use of profit-sharing to the context</li> </ul>

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### Application

- All employees are currently paid/rewarded in the same way – no motivation to enhance performance
- Profit-sharing will focus employees' attention on profit generation, which is arguably a more realistic goal for a partnership business such as Emmervale Farm Shop. The employees will share in the success of the business
- Profit-sharing will motivate employees to all work together to maximise profit for the business, as each employee financially and the business owners
- The harder each employee works the higher the profits

### Analysis

- Positive – boost employees' motivation, employees share business success, support team, focus employees' attention on ultimate objective for business, the amount of reward is directly proportionate to profitability, if business makes a loss no payment
- Negative – some employees may feel removed from business, if business makes a loss, the share of reward is not proportionate to the business's success (L2) so the business will only pay if it is successful (L3)

### Example of a developed response:

The introduction of a profit-sharing scheme will help to boost employee motivation at Emmervale Farm Shop. Employees are rewarded the share of business performance. Profit-sharing will motivate employees to work harder to boost the business's success (L2) so the business will only pay if it is successful (L3).

B1. To be able to meet the additional demand for luxury gift hampers, Emmervale Farm Shop is moving from job production to flow production for this part of the business. Explain the benefit of Emmervale Farm Shop of using this method of production.

Marks for this question: AO1 = 2; AO2 = 2

Level	Description
0	No answer worthy of any marks
1	Elementary understanding and application of the theme/subject <ul style="list-style-type: none"> <li>• Applies elementary knowledge and understanding to the context</li> <li>• An elementary understanding of a benefit of moving to batch production</li> </ul>
2	Thorough understanding and application of the theme/subject <ul style="list-style-type: none"> <li>• Applies knowledge and understanding to the context fully and appropriately</li> <li>• A comprehensive understanding of a benefit of moving to batch production</li> </ul>

### Possible answers include:

- Improved efficiency as a batch of hampers can be made together
- Less expensive method of production
- It may be possible to employ less-skilled labour

### Application:

- Emmervale Farm Shop's sales should increase due to the launch of a website. Since hampers are now produced it is more efficient for an employee to make a number of hampers together. There will be less time wasted switching between orders
- Staff may not need to be as skilled, and so it may be easier for Emmervale Farm Shop to reduce pay rates.

### Example of a developed response:

Developing a website will help Emmervale Farm Shop to sell more hampers. The increased sales will allow the business to produce a large number of the sample type of hampers in flow production rather than individually in line with customer orders as is the case with job production. This efficiency will boost profitability (L2).

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B2. A £4,000 budget has been set aside for the development of the new website.

The development costs include:

- Registration fee £100.00
- Design of site £1,250.00

The developers will also charge £150.60 per page of content to be created.

State the formula for calculating the total costs.

After all of the development costs are paid, calculate the percentage of the budget that can be used to promote the new website. Show your workings and answer to 1 decimal place.

**Marks for this question:** AO1 = 1; AO2 = 4

Variable costs + Fixed costs = Total costs; AO1 = (1)

Fixed costs = £100 + £1,250 = £1,350 (1)

Content of eight pages =  $8 \times £150.60 = £1,204.80(1)$  (OFR)

Total cost = £1,350 + £1,204.80 = £2,554.80 (1) (OFR)

Budget remaining for marketing = £4000 – £2,554.80 = £1,445.20 (OFR)

% =  $\frac{£1,445.20}{£4,000} \times 100 = 36.13\% (1)$  (OFR)

B3. Analyse the impact of the proposed expansion on the business's operating costs.

**Marks for this question:** AO2 = 3; AO3 = 3

Level	Description
0	No answer worthy of any marks
1	Elementary analysis of themes/subject based on the context
	<ul style="list-style-type: none"> <li>• Elementary analysis of impact of the expansion on business costs</li> <li>• Elementary knowledge and understanding of impact of the expansion on business costs applied to the context</li> </ul>
2	Some analysis of themes/subject based on the context
	<ul style="list-style-type: none"> <li>• Partial analysis of impact on business costs</li> <li>• Applies some knowledge and understanding of the impact of the expansion on business costs</li> </ul>
3	Comprehensive analysis of themes/subject based on the context
	<ul style="list-style-type: none"> <li>• Impact on business and costs is completely analysed appropriately</li> <li>• Applies knowledge and understanding of the impact of the expansion on business costs to the context</li> </ul>

### Application

- Due to the expansion, Emmervale Farm Shop may benefit from economies of scale, which will reduce as the business grows. The website will generate additional sales and, therefore, more orders and the business may benefit from bulk purchasing supplies.
- Due to the expansion, Emmervale Farm Shop may suffer from diseconomies of scale, which will increase as the business grows. The larger business may find it more challenging to coordinate activities.

### Analysis

- Positive – economies of scale which may be due to technical economies, managerial economies or marketing economies
- Negative – diseconomies of scale which may arise due to managerial, communication or coordination economies

### Example of a developed response:

The proposed expansion may result in Emmervale Farm Shop benefiting from economies of scale, which will reduce the cost of producing/selling each unit, which will help boost profitability (L2). Economies of scale may arise for various reasons but Emmervale Farm Shop may benefit from purchasing economies as it will be buying in larger quantities after the expansion, which will encourage suppliers to offer a discount (L3). Specialist staff may be recruited to improve efficiency (L3).

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B4. If the new website goes ahead, Emmervale Farm Shop will need to appoint an employee to manage the e-commerce operations. The owners are considering promoting an employee to the position of e-commerce manager. Recommend whether they should appoint an employee in this way. Give reasons for your answer.

Marks for this question: AO2 = 3; AO3 = 6

Level	Description
0	No answer worthy of any marks
1	Elementary evaluation of theme/subject based on the context <ul style="list-style-type: none"> <li>Elementary assessment with a conclusion</li> <li>Elementary analysis of methods of recruitment</li> <li>Simple knowledge and understanding is applied to the context</li> </ul>
2	Good evaluation of theme/subject based on the context <ul style="list-style-type: none"> <li>A sound assessment, with a conclusion that is partially justified</li> <li>Recruitment methods are partially explored</li> <li>Applies some knowledge and understanding to the context</li> </ul>
3	The evaluation of theme/subject based on the context <ul style="list-style-type: none"> <li>A sound analysis and thought which is coherent and appropriate, demonstrating a justified conclusion</li> <li>Recruitment methods are completely analysed</li> <li>Applies knowledge and understanding to the context appropriately</li> </ul>

#### Indicative content

##### Application:

- An employee from the shop will be familiar with the farm shop operations/food and launching the e-commerce operation
- The owners will know the employee and their job performance so it will be less risky
- Shop work is very different to running an e-commerce function. The employee may not have the necessary skills which may affect the potential success of the operation.
- Promoting an employee may motivate other staff or cause jealousy
- Will need to replace the employee selected
- Less expensive to recruit internally compared with externally

##### Analysis/evaluation:

- External recruitment may be more suitable due to the specialist skills required by the business. The business currently has no e-commerce experience and employing someone with the appropriate skills will require a significant investment.
- One of the existing shop staff could spend time learning about the e-commerce operation which will motivate them and in time, as the e-commerce operation grows, there may be a need to join the manager and work in the e-commerce operation
- Need more information about the skills/experience of the existing employee – may need to trial the employee on e-commerce operations before joining Emmervale Farm Shop
- Only a very small business currently – how will it cope with potential global demand? Delivery may be restricted, especially initially?
- The business could test the suitability of the employee before making the arrangements for a permanent appointment or a secondment. During this time the business can see how the employee performs in this fixed-term period. The business could evaluate the future suitability of the e-commerce operation and adapt it as necessary. A trial period for an internal candidate is a good way to test the employee's return to their original job; however, it is more challenging to do such a trial with someone who is likely to be reluctant to forfeit a permanent job for this type of trial.

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## Section III

Total for this section: 35 marks

C1. Explain one drawback to Petz Rescue Centre of using a team of volunteers to

Marks for this question: AO1 = 2; AO2 = 2

Level	Description
0	No answer worthy of any marks
1	Elementary understanding and application of the theme/subject <ul style="list-style-type: none"><li>• Applies elementary knowledge and understanding to the context</li><li>• An elementary understanding of a drawback of using volunteers</li></ul>
2	Thorough understanding and application of the theme/subject <ul style="list-style-type: none"><li>• Applies knowledge and understanding to the context fully and appropriately</li><li>• A comprehensive understanding of a drawback of using volunteers</li></ul>

Possible answers:

- Volunteers are not paid and have no employment contract so may be unreliable
- Less control over the quality of work produced
- Each volunteer may only work a few hours each week so resourcing the centre in the long term may be difficult and coordinating for the manager

Application:

- High labour turnover – costly
- Unreliability – extra pressure on paid staff if a volunteer is unreliable
- Petz Rescue is a charity and volunteers do not have to be paid

Example of a developed response:

*The volunteers do not receive payment or have an employment contract (L1), which may then put pressure on the paid staff since the rescue centre cannot close down when staff are unavailable (L2).*

C2. Explain one benefit to Petz Rescue Centre of providing good customer service to

Marks for this question: AO1 = 2; AO2 = 2

Level	Description
0	No answer worthy of any marks
1	Elementary understanding and application of the theme/subject <ul style="list-style-type: none"><li>• Applies elementary knowledge and understanding to the context</li><li>• An elementary understanding of a benefit of providing good customer service</li></ul>
2	Thorough understanding and application of the theme/subject <ul style="list-style-type: none"><li>• Applies knowledge and understanding to the context fully and appropriately</li><li>• A comprehensive understanding of a benefit of providing good customer service</li></ul>

Possible answers:

- Increase in customer satisfaction and animal welfare
- Customer loyalty and possible increased donations to the charity
- Positive word-of-mouth recommendations

Application:

- Increased number of pets gaining new homes
- Increased number of people wanting to take home one of the rescued pets
- Customer service will ensure that people obtain the correct information about caring for a pet, therefore, the centre will increase the chances of a successful rehoming

Example of a developed response:

*Good customer service will result in improved customer satisfaction and positive recommendations from others to consider rehoming an animal and, therefore, more pets will gain new homes, which will benefit the centre (L2).*

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C3. As a charity, Petz Rescue has to use non-financial methods of motivating its staff. Analyse the impact of the use of motivational techniques on Petz Rescue.

Marks for this question: AO2 = 3; AO3 = 3

Level	Description
0	No answer worthy of any marks
1	Elementary analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>Elementary analysis of impact of the use of non-financial methods of motivating staff</li> <li>Elementary knowledge and understanding of impact of the use of motivational techniques applied to the context</li> </ul>
2	Some analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>Partial analysis of impact of the use of non-financial methods of motivating staff</li> <li>Applies some knowledge and understanding of impact of the use of motivational techniques to the context</li> </ul>
3	Comprehensive analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>Impact of the use of non-financial methods of motivating staff is completely analysed</li> <li>Applies knowledge and understanding of the use of motivational techniques appropriately</li> </ul>

#### Application

- Non-financial rewards may be more effective long-term than financial rewards
- Many of the staff at the centre will be low-paid and work there for job satisfaction rather than money
- There is a range of different non-financial rewards that can be offered to suit the needs of the staff
- Petz Rescue is a charity and, therefore, cannot afford financial methods of motivating staff

#### Analysis

- Positive – may be more effective to motivate long-term, non-financial rewards do not cost the charity
- Negative – some employees may value financial rewards more, some employees may not value the centre long-term
- Not all employees respond in the same way to the same motivational technique, but motivational techniques to benefit every single volunteer

#### Example of a developed response:

*Non-financial rewards may be better motivators than financial rewards (L1). Many staff at Petz Rescue value helping the animals more than the financial reward (L2), and their sense of job satisfaction*

C4. Petz Rescue offers a two-day induction for all employees and volunteers who start new job training at a local college to cover basic pet welfare. Due to the high turnover, the centre typically puts eight individuals through this induction training each year at a cost of £66.6% of the training budget for the entire year.

Recommend whether the centre should continue to put all staff and volunteers through the induction training in the future. Give reasons for your answer.

Marks for this question: AO2 = 3; AO3 = 6

Level	Description
0	No answer worthy of any marks
1	Elementary evaluation of theme / subject based on the context <ul style="list-style-type: none"> <li>Elementary analysis with a conclusion</li> <li>Elementary analysis of use of induction</li> <li>Elementary knowledge and understanding is applied to the context</li> </ul>
2	Good evaluation of theme/subject based on the context <ul style="list-style-type: none"> <li>A sound assessment, with a conclusion, that is partially justified</li> <li>Value of staff induction is partially explored</li> <li>Applies some knowledge and understanding to the context</li> </ul>
3	Thorough evaluation of theme/subject based on the context <ul style="list-style-type: none"> <li>Unbroken analysis and thought which is coherent and appropriate, demonstrating a justified conclusion</li> <li>Value of staff induction is completely analysed</li> <li>Applies knowledge and understanding to the context appropriately</li> </ul>

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## Indicative content

### Application:

- Induction training is vital for all staff and volunteers so that they can make a prompt start at the centre
- Staff resources are scarce at the centre so effective induction training means that staff can be used effectively
- Training is a non-financial motivator
- Training covers pet welfare, which is at the heart of the centre's business aims
- Opportunity cost; interpretation of percentage spent on induction training
- Petz Rescue is a charity and so any financial expenditure needs to be appropriately justified

### Analysis/evaluation:

- Only offer this training to staff
- Do not offer this training to all volunteers. There is a high turnover of volunteers and only a few hours per week, making it not efficient to spend so much on each volunteer. The centre could employ a paid member of staff who can offer support and undertake specialist tasks if required.
- Specific volunteers could receive training if felt appropriate – should consider opportunity cost
- The centre is a charity and so must use financial resources wisely. The money could be used for other charity projects if the opportunity cost is high
- The money could be used for other training

- D1 Analyse the impact on the following of moving from a city centre location to a suburban location
- different stakeholders
  - customer service

Evaluate which of these groups will feel the biggest impact from the move.

Marks for this question: AO1 = 3; AO2 = 3; AO3 = 6

Level	Description
0	No answer worthy of any marks
1	Elementary broad discussion of theme/subject <ul style="list-style-type: none"> <li>• An elementary understanding of business concepts which is divorced from context</li> <li>• An elementary understanding of at least one business concept</li> <li>• Points made are only partially significant to the question and context</li> </ul>
2	Some analysis and evaluation of theme/subject in separation to their interdependent factors based on the context <ul style="list-style-type: none"> <li>• An assessment, with a conclusion, that is partially justified</li> <li>• One business aspect is analysed in isolation</li> <li>• Applies some knowledge and understanding to the business context</li> </ul>
3	A complete analysis and evaluation of theme/subject based on the context <ul style="list-style-type: none"> <li>• A coherent and relevant assessment, with a conclusion that is justified</li> <li>• Diverse business areas are analysed separately or their interdependent components are analysed in part</li> <li>• Applies knowledge and understanding to the context and considers the impact on business functional areas</li> </ul>
4	An amplified coherent analysis and evaluation of theme/subject with prolonged context <ul style="list-style-type: none"> <li>• A well integrated and appropriate assessment which is articulate, appropriate and supported by a clear conclusion. The aspect which has been impacted on most significantly is justified.</li> <li>• The diverse nature of business areas is completely analysed</li> <li>• Thoroughly relates knowledge and understanding to the context and effectively uses a range of approaches to considering several business functional areas</li> </ul>

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### Integrated approach:

- Centre benefits from a team of volunteers which it relies on. If the centre moves, will the new location? The centre will not want to lose skilled/experienced volunteers as skills/experience will be challenging.
- Will customers be able to access the new location as well? If it is not as accessible it will be finding a new home.
- Does the charity have staff/volunteers who are skilled/experienced at caring for animals? Will they be able to recruit staff with these skills/experience easily?
- Centre has been successful at current location – will the new location affect this success?

### Indicative content:

Understanding	Application	Analysis
Staff and volunteers can access old location easily	New location is rural and may not be served by public transport or good road links	The centre may lose skilled/experienced staff/volunteers if they were to move as they may be unable to access the new location.
Local community surrounding the new location may be unhappy about the additional traffic caused by visitors to the centre	Traffic/congestion may annoy local residents living near to the new location	The centre may generate negative feelings within the local community surrounding the new location.
Impact on customers may be positive	Customers may find the new location easier to access	As the new location is in a rural area, there may be less congestion and traffic, making it easier to access. A wider range of animals will be available due to the additional space available. This will be received by customers.
Impact on customers may be negative	Customers may find the new location harder to access	As the new location is in a rural area, there may be less public transport links and good access. The centre may lose some loyal customers due to a poorer service for customers due to the move.
Impact on existing animals may be negative	The move may cause stress for the animals	The move may be stressful for the animals. Some may have moved several times before, which may affect the animals' mental and physical health.



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## Practice Paper B

### Section I

Total for this section: 20 marks

Question number	Answer
1	D
2	B
3	B
4	D
5	C
6	B

1–6 = AO1 x 6

(1 mark for each correct answer)

7. Identify the items which should be covered within induction training for employees.

**Marks for this question:** AO1 = 2

1 mark for each correct business example, up to a maximum of 2 marks

**Indicative content:**

- Tour of business premises / building
- Introduce to colleagues / fellow workers
- History of the business
- Health and safety
- How to access ICT systems

The indicative content is not exhaustive; other creditworthy material should be awarded

**Example of a developed response:**

Induction training could include a tour of the building (1) and health and safety rules to work (1).

8. Explain one advantage of using a just-in-case system to manage stock

**Marks for this question:** AO1 = 2

1 mark for knowledge of an advantage of using a just-in-case system

1 mark for developing the answer explaining an advantage of using a just-in-case system

**Possible answers include:**

- Always have plenty of stock within the business
- Can fulfil orders received at short notice
- Can be flexible as able to meet changes in order
- May buy in bulk and benefit from economies of scale

**Example of a developed response:**

Just-in-case will mean that the business maintains a supply of buffer stock just in case and as a result of the just-in-case system the business can fulfil orders at short notice, which may over rivals who do not keep buffer stock (1).

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9. Explain one advantage of expanding a business by taking over another business.

**Marks for this question:** AO1 = 3

1 mark for knowledge of a benefit of taking over another business

2 marks for developing the answer, explaining a benefit of expanding via takeover

**Possible answers include:**

- Economies of scale
- Synergy
- Quick method of growth
- Can remove a competitor
- Increase market share

**Example of a developed response:**

*The expansion will allow the business to benefit from economies of scale (1). This means that the business can reduce costs (1) which will make the business more profitable (1).*

*The business will remove a competitor from the market (1). This will give the business more market power (1) as customers have less choice (1). The business will have more freedom to change prices, etc. (1) and therefore be more profitable (1).*

10. Explain one benefit to a business of employing temporary staff.

**Marks for this question:** AO1 = 3

1 mark for knowledge of a benefit of employing temporary staff

2 marks for developing the answer, explaining the benefit to a business of employing temporary staff

**Possible answers include:**

- Flexibility – only employ during busy periods
- Can complement existing skill levels for a specific time period
- Can provide specialist skills for a short-term project

**Example of a developed response:**

*Temporary staff can be employed during the business's busy time only (1), which provides flexibility (1). The business does not have to continue to employ temporary staff during quieter periods (1) and therefore wages unnecessarily, helping profitability (1).*

11. Explain two benefits for a new business of creating a business plan.

**Marks for this question:** AO1 = 4

1 mark for each acceptable benefit identified (up to a maximum of two)

1 mark for developing the answer, explaining an advantage (up to a maximum of two)

**Possible answers include:**

- Can help the owner to organise activities
- Can support an application for finance, e.g. from a bank or other investor
- Can help the owner to identify potential problems
- Provides a sense of direction
- Can help the owner to make appropriate business decisions
- Can be used to measure performance against targets

**Example of a developed response:**

*Having a business plan can help the owner to identify potential problems (1). This knowledge can be used to develop contingency plans to overcome/reduce the problems and, therefore, reduce risk (1) and make the business more likely to succeed (1).*

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## Section II

Total for this section: 34 marks

A1. Identify two drawbacks to Donald Harris of operating his business as a sole trader.

**Marks for this question:** AO1 = 2

1 mark for knowledge of each drawback of operating as a sole trader up to 2 marks.

**Indicative content:**

- Unlimited liability
- Cannot share workload
- Cannot share decision-making
- Limited opportunities to raise finance
- Difficult to have time off, e.g. for sickness or holidays

The indicative content is not exhaustive. Any alternative answers which are creditworthy should be accepted.

A2. Elsie receives £8 per hour and a commission of 10% of sales. Last week she worked 37 hours and sold £600 worth of goods. Calculate how much she received last week. Show your calculations in two decimal places.

**Marks for this question:** AO2 = 3

3 marks for applying the correct calculations

$$£8 \times 37 \text{ hours} = £296 \text{ (1)}$$

$$10\% \times £600 = £60 \text{ (1)}$$

$$\text{Total pay} = £296 + £60 = £356 \text{ (1) (OFR)}$$

A3. Identify two features of a zero-hour contract of employment.

**Marks for this question:** AO1 = 2

1 mark for knowledge of each feature of zero-hour contracts of employment up to 2 marks.

**Possible answers:**

- Not guaranteed any hours of work
- Employer asks employee to work according to changes in demand
- Employee can choose to accept or decline the hours of work offered to them
- Employee can work for other employers if they wish

The list of answers is not exhaustive. Any alternative answers which are creditworthy should be accepted.

**Example of a developed response:**

*A zero-hour contract means that the employee is not guaranteed any hours of work (1). They are paid for the hours they work each day/week according to changes in demand (1).*

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A4. Analyse one way in which Elsie is affected by being employed on a zero-hour employment

Marks for this question: AO2 = 3; AO3 = 3

Level	Description
0	No answer worthy of any marks
1	Elementary analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>Elementary analysis of effect of being employed on a zero-hour contract</li> <li>Elementary knowledge and understanding of impact on the employee from zero-hour contract which is applied to the context</li> </ul>
2	Some analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>Partial analysis of effect of being employed on a zero-hour contract</li> <li>Applies some knowledge and understanding of the impact on the employee from a zero-hour contract to the context</li> </ul>
3	Comprehensive analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>The effect of being employed on a zero-hour contract is completely analysed</li> <li>Applies knowledge and understanding of the impact on the employee from a zero-hour contract to the context</li> </ul>

#### Application

- Elsie's hours of work will fluctuate from day to day or week to week
- Her hours of work will change according to varying orders for trumpets
- Elsie can accept or decline hours of work offered to her as she has no contractual obligation
- Elsie's contract is also temporary and will end when Shelley returns from her maternity leave

#### Analysis

- Positive – Elsie has the flexibility to accept or decline hours of work offered to her; Elsie can vary the work that she accepts to do according to other commitments that she has
- Negative – uncertainty because Elsie is not guaranteed when she works or how much earnings will be unstable; Elsie may struggle to secure a loan due to unstable employment and will end when Shelley's maternity leave ends

#### Example of a developed response:

Elsie is not guaranteed any hours of work and the work offered to her may change each day, creating uncertainty because she is not guaranteed any hours of work (L2). She will find that some days and other weeks she may not work any hours (L3). This will create uncertainty for Elsie and impact upon her personally, e.g. on her ability to secure a loan (L3).

B1. Analyse the impact that economies of scale have on the performance of Don

Marks for this question: AO2 = 3; AO3 = 3

Level	Description
0	No answer worthy of any marks
1	Elementary analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>Elementary analysis of the impact of economies of scale</li> <li>Elementary knowledge and understanding of impact on performance arising from economies of scale which is applied to the context</li> </ul>
2	Some analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>Partial analysis of impact of economies of scale</li> <li>Applies some knowledge and understanding of the impact on performance arising from economies of scale which is applied to the context</li> </ul>
3	Comprehensive analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>The impact of economies of scale is completely analysed appropriately</li> <li>Applies knowledge and understanding of the impact on performance arising from economies of scale which is applied to the context</li> </ul>

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### Application

- Donald only places an order every two months and this results in him ordering a large quantity of materials. This means he has to place more frequent orders
- Economies of scale mean that as Donald's business expands the cost to produce each unit of output falls
- Economies of scale impact on business costs and profitability. Donald is a private sector business and profitability is his main aim.
- Economies of scale can arise for various reasons including managerial economies, technical economies and purchasing economies. Purchasing economies apply in Donald's case.
- Donald's business performance can be measured in a number of ways including profitability

### Analysis

- Positive – Donald's cost per unit produced will reduce, which will boost profitability and improve the business performance
- Negative – achieving economies of scale is challenging and if a business expands too quickly it can experience diseconomies of scale; diseconomies of scale will impact negatively on the business performance

### Example of a developed response:

Economies of scale will have a positive impact on the performance of Donald's business (L1). As each trumpet costs less to produce (L2), which will increase profitability (L2). Donald only places an order every two months means that he is ordering a larger order than if he made more frequent orders (L1). Increased profitability means improved business performance of Donald's business (L3). Economies of scale may arise due to purchasing economies where suppliers are offering discounts due to buying materials in larger quantities (L2). Improved supplier relationships will improve the performance of Donald's business as his customers will be more valued (L3).

B2. Analyse the impact that Donald's policy of using quality materials has on customers

Marks for this question: AO2 = 3; AO3 = 3

Level	Description
0	No answer worthy of any marks
1	Elementary analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>• Elementary analysis of the impact of use of quality materials</li> <li>• Elementary knowledge and understanding of impact of use of quality materials is applied to the context</li> </ul>
2	Some analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>• Partial analysis of impact of use of quality materials</li> <li>• Applies some knowledge and understanding of the impact of use of quality materials which is applied to the context</li> </ul>
3	Comprehensive analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>• The impact of use of quality materials is completely analysed appropriately</li> <li>• Applies knowledge and understanding of the impact of use of quality materials is applied to the context</li> </ul>

### Application

- The use of quality materials means that Donald only uses the very best materials to produce his trumpets
- Donald will select suppliers carefully and demand high quality standards
- The quality standards that Donald sets for his trumpets will provide him with a competitive advantage

### Analysis

- Positive – reduced number of faulty products; fewer customer complaints; improved customer satisfaction; increased customer loyalty; better brand reputation; provides a competitive advantage
- Negative – quality materials may be more expensive; higher prices for customers; relies on quality of materials

### Example of a developed response:

Use of quality materials will have a positive impact on customers (L1) because if the materials are of a high quality it means that the final product is more likely to be of a higher quality (L1). This will mean improved customer satisfaction and reduced customer complaints (L2). Improved customer satisfaction will improve the business's brand reputation and consequently more trumpet sales and profitability (L3).

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B3. Recommend whether Donald should move to a just-in-time system of ordering materials/components.

Marks for this question: AO2 = 3; AO3 = 6

Level	Description
0	No answer worthy of any marks
1	Elementary evaluation of theme/subject based on the context <ul style="list-style-type: none"> <li>• Elementary assessment with a conclusion</li> <li>• Elementary analysis of just-in-time system</li> <li>• Simple knowledge and understanding is applied to the context</li> </ul>
2	Good evaluation of theme/subject based on the context <ul style="list-style-type: none"> <li>• A sound assessment, with a conclusion, that is partially justified</li> <li>• The issues surrounding a just-in-time system are partially explored</li> <li>• Applies some knowledge and understanding to the context</li> </ul>
3	Thorough evaluation of theme/subject based on the context <ul style="list-style-type: none"> <li>• Unbroken and sustained thought which is coherent and appropriate, demonstrating a well-reasoned conclusion</li> <li>• The issues surrounding a just-in-time system are completely analysed</li> <li>• Applies knowledge and understanding to the context appropriately</li> </ul>

#### Indicative content

##### Application:

- Just-in-time relies on a flexible and reliable working relationship with suppliers in order to respond swiftly to orders placed and deliver supplies quickly, otherwise customer orders will not be met
- Donald has a positive relationship with his current suppliers, who receive orders even if they are late
- Donald is currently struggling to store all of his stock. If he moved to a just-in-time system, he would need less storage space, which would reduce this pressure, and also he could use the freed-up space for expanding production
- Just-in-time means that the business will only order a supply when it needs it
- No buffer stock of materials will be held by the business. This reduces the risk of stock becoming obsolete, which is important to Donald as damaged stock would potentially reduce the quality of his finished goods

##### Analysis/evaluation:

- Suppliers may not deliver the supplies in time and production may be held up
- Donald currently benefits from economies of scale due to the two-monthly bulk orders. Moving to a just-in-time system would mean he would lose these economies of scale. Although just-in-time offers various benefits, he will lose the economies of scale he enjoys as part of just-in-case.
- A delay may prevent a customer order being met, leading to customer dissatisfaction
- Just-in-time will increase efficiency.
- No stock will be held by Donald's business so he will not incur the cost of warehouse space or the risk of stock being damaged or becoming obsolete. There is no danger that stock will become obsolete
- Just-in-time will help cash flow as money is not tied up in unused/unsold stock

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## Section III

Total for this section: 36 marks

C1. Explain the term 'opportunity cost' with reference to the information in Item C.

**Marks for this question:** AO1 = 2

1 mark for knowledge of opportunity cost

1 mark for explaining the opportunity cost referred to in Item C

**Possible answers:**

- Opportunity cost refers to the value of the benefit of the next best alternative foregone to choose between two options.
- In Item C Dorothy could have found another paid job or she could have taken an Early Years apprenticeship if she had not made redundant.
- Dorothy decided to undertake the course, so the opportunity cost is the loss of earnings she would otherwise have done.

C2. Explain the benefits of the business of operating as a partnership.

**Marks for this question:** AO1 = 2; AO2 = 2

Level	Description
0	No answer worthy of any marks
1	Elementary understanding and application of the theme/subject <ul style="list-style-type: none"> <li>• Applies elementary knowledge and understanding to the context</li> <li>• An elementary understanding of a benefit of operating as a partnership</li> </ul>
2	Thorough understanding and application of the theme/subject <ul style="list-style-type: none"> <li>• Applies knowledge and understanding to the context fully and appropriately</li> <li>• A comprehensive understanding of a benefit of operating as a partnership</li> </ul>

**Possible answers:**

- Can share decision-making and consult each other
- Can pool resources/finance from different partners
- Each partner can specialise in a particular area / pool skills and experience – the business can benefit from the combined skills of the partners
- Shared liabilities/responsibilities
- Individual partners can cover each other's holidays/sickness

**Application:**

- Easier to expand as partners can pool their capital
- Can share decision-making and can consult each other's views – two heads are better than one
- Each partner will have different skills/experiences and they can specialise in specific areas of the business, using each other's strengths and compensate for each other's weaknesses
- Increased status compared to a sole trader

**Example of a developed response:**

The partners can share decision-making (L1), which means they can make more considered judgements to be successful as different individuals will bring different viewpoints (L2). The increased capital allows for increased profitability (L2).

C3. Explain the benefits of the business of locating the nursery in the centre of town.

**Marks for this question:** AO1 = 2; AO2 = 2

Level	Description
0	No answer worthy of any marks
1	Elementary understanding and application of the theme/subject <ul style="list-style-type: none"> <li>• Applies elementary knowledge and understanding to the context</li> <li>• An elementary understanding of a benefit of locating in the centre of town</li> </ul>
2	Thorough understanding and application of the theme/subject <ul style="list-style-type: none"> <li>• Applies knowledge and understanding to the context fully and appropriately</li> <li>• A comprehensive understanding of a benefit of locating in the centre of town</li> </ul>

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**Possible answers:**

- Increased footfall within the town centre
- Nursery will be near to other businesses/shops so employees from these businesses can bring their children for their children
- Front-of-shop publicity
- Good road networks and car parking within a town centre

**Application:**

- Increased convenience to lead to more customers using the nursery
- Nursery frontage will be seen by passers-by in the town centre
- People often have limited time to drop off and collect their child on their way to and from work. A town centre location will be easily accessible with better road links.
- The nursery may find it easier to recruit employees as the town centre location may be accessible by day via public transport and/or better road links / car parking

**Example of a developed response:**

A town centre location will lead to more customers using the nursery (L1). The location will be easily accessible with better road links and car parking, making it convenient for customers to access (L2). The nursery will also attract custom from employees of neighbouring businesses and shops (L3).

C4. The nursery has fixed costs of £18,000 per year. Variable costs, per child, per session, are £0.25. 1,000 sessions are held at the nursery in the month of October. Calculate the profit made by the nursery during the month of October. Show your answer to two decimal places.

Calculate the profit made by the nursery during the month of October. Show your answer to two decimal places.

**Marks for this question:** AO1 = 1; AO2 = 4

Sales revenue – (fixed costs + variable costs) = Profit; AO1 = (1)

OR

Sales revenue – Total costs = Profit; AO1 = 1 (1)

Monthly fixed costs = £18,000 / 12 = £1,500 (1)

Total variable cost for the month = £0.25 x 1,000 = £250 (1)

Monthly total cost = £1,500 + £250 = £1,750 (1) (OFR)

Total revenue for the month = £3.00 x 1,000 = £3,000

Total profit for the month = £3,000 – £1,750 = £1,250 (1) (OFR)

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C5. Due to increased demand, Dorothy and Sue are planning to recruit a nursery operations at the nursery. Sally, one of the nursery assistants, has worked at the nursery and joined straight from school as an apprentice. She has heard about the owner becoming the manager. The owners are currently considering all recruitment options to find the right thing for the business.

Recommend whether they should appoint Sally to the role of nursery manager.  
Give reasons for your answer.

Marks for this question: AO2 = 3; AO3 = 6

Level	Description
0	No answer worthy of any marks
1	Elementary evaluation of theme/subject based on the context <ul style="list-style-type: none"> <li>Elementary assessment with a conclusion</li> <li>Elementary analysis of issues relating to recruitment</li> <li>Simple knowledge and understanding is applied to the context</li> </ul>
2	Good evaluation of theme/subject based on the context <ul style="list-style-type: none"> <li>Good assessment, with a conclusion, that is partially justified</li> <li>Partial analysis of internal recruitment is partially explored</li> <li>Applies some knowledge and understanding to the context</li> </ul>
3	Thorough evaluation of theme/subject based on the context <ul style="list-style-type: none"> <li>Unbroken analysis and thought which is coherent and appropriate, demonstrating a justified conclusion</li> <li>Value of internal recruitment is completely analysed</li> <li>Applies knowledge and understanding to the context appropriately</li> </ul>

#### Indicative content

##### Application:

- Internal recruitment – the owners will know Sally and her work performance; she will be in the role since already familiar with nursery, children and parents; quicker; cheaper;
- External recruitment – Sally's promotion may cause jealousy among other staff; Sally may not bring in any new ideas; parents may not view her in such high regard as they may have received training in their previous role and they are able to bring the new ideas to the nursery

##### Analysis/evaluation:

- Internal recruitment will lead to a quicker and cheaper appointment
- The nursery knows Sally well and her past work experience
- Sally will know the children and families better and may be better received in the job
- Need to trust nursery staff to look after their children, which is a major responsibility
- Sally may need training to help her move to a higher position, which will cost money
- Other staff may be jealous of the promotion

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D1. Analyse the impact of expanding the nursery by selling franchise opportunities. Consider:

- the suitability of franchising as a way of expanding
- business performance

Evaluate which area of the business this will have the greatest impact on. Use evidence to support your answer.

Marks for this question: AO1 = 3; AO2 = 3; AO3 = 6

Level	Description
0	No answer worthy of any marks
1	Elementary broad discussion of theme/subject <ul style="list-style-type: none"> <li>An elementary understanding of business concepts which is divorced from considerations/influences</li> <li>An elementary understanding of at most one business concept</li> <li>Points made are only partially significant to the question and context</li> </ul>
2	Some analysis and evaluation of theme/subject in separation to their interdependent factors in the context <ul style="list-style-type: none"> <li>Assessment, with a conclusion, that is partially justified</li> <li>One business aspect is analysed in isolation</li> <li>Applies some knowledge and understanding to the business context</li> </ul>
3	A complete analysis and evaluation of theme/subject based on the context <ul style="list-style-type: none"> <li>A coherent and relevant assessment, with a conclusion that is justified</li> <li>Diverse business areas are analysed separately or the interdependent components analysed in part</li> <li>Applies knowledge and understanding to the context and considers the impact on business functional areas</li> </ul>
4	An amplified cohesive analysis and evaluation of theme/subject with prolonged context <ul style="list-style-type: none"> <li>An integrated and appropriate assessment which is articulate, appropriate and thorough conclusion. The aspect which has been impacted on most significantly is justified.</li> <li>The diverse nature of business areas is completely analysed</li> <li>Thoroughly relates knowledge and understanding to the context and effectively approaches to considering several business functional areas</li> </ul>

#### Integrated approach:

- Expanding a business is costly. Inviting other businesses to purchase franchise opportunities may impact the nursery's financial position as others will supply the finance. Dorothy and Sue start the nursery with their own funds from their redundancy and this position limits future expansion possibilities.
- Dorothy and Sue will benefit from an annual royalty fee and share of profits made by franchisees.
- Dorothy and Sue may lack knowledge of other towns in the UK. Franchisees will operate in their local area so will know people in the community and the business environment in the area.
- Less risk – franchisees' investment will be at risk if franchising is unsuccessful
- High risk – franchisor will have less control over the operations of the franchised business. Can the nursery be maintained? Potential damage will affect the general nursery name and reputation. Dorothy and Sue to develop the contract and procedures required to run a successful franchise.
- Franchisees can learn from each other, which will help all parts of the business to be successful.
- Dorothy and Sue have been successful with the nursery business model in their own area. Franchising is a way of transferring the strengths and expanding the business.

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**Indicative content:**

Understanding	Application	Analysis
Low-risk method of expansion	Franchisees buy the rights to operate under franchise name so their money is at risk rather than franchisors'	It is a way of expanding the business without having to raise the funds to start a new business. Dorothy and Sue under franchise
Franchisor benefits financially from franchisee's efforts	The franchisee has to pay a royalty fee and share of profits made each year	Dorothy and Sue will share the costs and the performance of the franchise
The Dolly's Nursery brand will become better known	All franchisees have to follow the marketing strategy and branding directed by the franchisor	More people will be exposed to the brand and will see the nursery name on all franchise operations over time
Franchisees will have in-depth knowledge of their own local area	All franchisees are responsible for decisions in their own local area	Dorothy and Sue will not rely on the franchisor for local areas as the franchisees are responsible for their own area (overseeing the risk and lead to a better



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## Practice Paper C

### Section I

Total for this section: 20 marks

Question number	Answer
1	D
2	C
3	A
4	C
5	A
6	B

1–6 = AO1 x 6

(1 mark for each correct answer)

7. Identify the topic and information that are likely to be included in a job description.

Marks for this question: AO1 = 2

1 mark for each item of knowledge of the contents of a job description up to 2 marks

**Indicative content:**

- Job title
- Tasks to be carried out
- Hours of work
- Place of work
- The employees who the job holder is responsible for
- The employee's line manager

The indicative content is not exhaustive; other creditworthy material should be awarded

8. Explain one factor that will influence the location decision of a business.

Marks for this question: AO1 = 2

1 mark for knowledge of a factor that will influence the decision regarding where to locate

1 mark for developing the answer, explaining the factor that will influence the location decision

**Possible answers include:**

- Footfall
- Transport links
- Closeness to suppliers and/or customers
- Competition
- Cost
- Availability of suitably qualified staff

**Example of a developed response:**

One factor that may influence the location decision of a business is competition (1). Some businesses may choose to locate where there are no competitors nearby so that it has the monopoly and customers have to purchase the particular product/service (1).

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9. Explain one benefit to a business of using internal recruitment to fill a vacancy.

**Marks for this question:** AO1 = 3

1 mark for one valid benefit identified

2 marks for developing the answer, explaining the benefit

**Possible answers include:**

- Will know the employee's work performance
- Employee will already know the business, customers and colleagues
- Cheaper than external recruitment
- Quicker
- Promoting a member of staff may motivate others in the business

**Example of a developed response:**

*Using internal recruitment is less risky because the business already knows the employee and means that there is less risk of choosing the wrong employee (1), who may cause problems to the business (1). This means the business can maintain a high standard (1).*

10. Explain one possible problem that could occur when using a just-in-time system.

**Marks for this question:** AO1 = 3

1 mark for one valid problem identified

2 marks for developing the answer by explaining the impact of the problem

**Possible answers include:**

- Supplier may let the business down and not deliver in time
- May not be able to fulfil orders at short notice
- Staff may be frustrated at being asked to carry out rush orders

**Example of a developed response:**

*A supplier may not be able to fulfil an order for materials at short notice (1). This may mean the business cannot fulfil a customer's order (1), resulting in the customer taking their custom to a rival business (1).*

11. Explain two benefits to a business of allowing staff to work from home.

**Marks for this question:** AO1 = 4

1 mark for each item of knowledge of a benefit up to 2 marks

1 mark for developing the answer, explaining a benefit of allowing staff to work from home

**Possible answers include:**

- Staff do not waste time travelling to and from the workplace and can use the time to work
- Employee feels trusted, which is motivational
- Fewer distractions away from the office
- Better work-life balance for employee
- Employee can fit their work hours around other commitments
- Environmentally friendly – could reduce pollution from employees' vehicles

**Example of a developed response:**

*Employees will not waste time commuting to work and can avoid traffic jams (1). This time can be used to complete work tasks, thereby benefiting the organisation's productivity (1). The employee also avoids stress from commuting and from work.*

*The employee will have fewer distractions at home (1). For instance, they will not be interrupted by colleagues, telephone calls and the bustle of the office. This may lead to the employee producing fewer mistakes at home (1).*

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## Section II

Total for this section: 34 marks

A1. Identify two factors of production.

**Marks for this question:** AO1 = 2

1 mark for knowledge of each factor of production up to 2 marks

**Indicative content:**

- Land
- Labour
- Capital
- Enterprise

A2. Complete Figure 1 to show the average cost per unit over the three-month period. Show your workings and answer to two decimal places.

**Marks for this question:** AO1 = 3

3 marks for a correct answer and the correct calculations

Cost per unit each month

- April =  $\text{£}254 / 231 = \text{£}1.10$  (1)
- May =  $\text{£}250 / 268 = \text{£}0.93$
- June =  $\text{£}180 / 174 = \text{£}1.03$  (1)
- Average cost per unit =  $(\text{£}1.10 + \text{£}0.93 + \text{£}1.03) / 3 = \text{£}1.02$  (1) (OFR)

A3. In an attempt to reduce her operating costs, Karen is considering looking to change the materials she needs to make her soaps. Identify two factors that affect her choice of materials.

**Marks for this question:** AO1 = 2

1 mark for knowledge of factors to consider when selecting a new supplier up to 2 marks

**Possible answers:**

- Price
- Quality
- Reliability
- Proximity to the business
- Reputation

The list of answers is not exhaustive. Any alternative answers which are creditworthy should be accepted.

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A4. Analyse one way in which a change of supplier may affect the standard of customer service that Karen offers.

Marks for this question: AO2 = 3; AO3 = 3

Level	Description
0	No answer worthy of any marks
1	Elementary analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>Elementary analysis of impact of a change of supplier</li> <li>Elementary knowledge and understanding of impact of a change of supplier which is applied to the context</li> </ul>
2	Some analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>Partial analysis of impact of a change of supplier</li> <li>Applies some knowledge and understanding of the impact of a change of supplier to the context</li> </ul>
3	Comprehensive analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>The impact of a change of supplier is completely analysed appropriately</li> <li>Applies knowledge and understanding of the impact of a change of supplier to the context</li> </ul>

#### Application

- Different suppliers work to diverse quality standards, which will affect the quality of customer service.
- Price paid for supplies may differ between suppliers. A change in the cost of materials may affect the profit that Karen makes from producing and selling her soaps.
- Reliability may vary. A new supplier may not deliver the materials on time, which will affect the quality of customer service. Karen may then let down customers if she is unable to make the soaps for a long time.

#### Analysis

- Positive – the quality of supplies may improve; price paid for supplies may reduce which will boost the profit that Karen makes; the new supplier may be more reliable and flexible.
- Negative – the quality of supplies may deteriorate; price paid for supplies may increase which will reduce the profit that Karen makes; the new supplier may be less reliable and flexible.

#### Example of a developed response:

The new supplier may work to a different quality standard (L1). The supplies may be cheaper (L1). This may affect customer service negatively (L2) because customers may find more for their money. This may lead to customer complaints (L3) and customers moving to rival businesses.

B1. Analyse the impact of employment legislation on Karen's business.

Marks for this question: AO2 = 3; AO3 = 3

Level	Description
0	No answer worthy of any marks
1	Elementary analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>Elementary analysis of the impact of employment legislation</li> <li>Elementary knowledge and understanding of impact of employment legislation which is applied to the context</li> </ul>
2	Some analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>Partial analysis of impact of employment legislation</li> <li>Applies some knowledge and understanding of the impact of employment legislation to the context</li> </ul>
3	Comprehensive analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>The impact of employment legislation is completely analysed appropriately</li> <li>Applies knowledge and understanding of the impact of employment legislation to the context</li> </ul>

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**Application**

- Employment legislation will influence how Karen manages her staff
- Sam is Karen's first employee. Karen has no experience of managing staff and has to gain knowledge of the employment laws that will affect how she manages Sam.
- Employment legislation prevents staff from being treated unfairly, discrimination, bad working conditions and being paid below the minimum/living wage
- Karen needs to keep up to date with employment legislation changes to ensure that she does not inadvertently. This can be quite challenging for a sole trader with no experience of employment law
- Karen only employs one member of staff at the moment

**Analysis**

- Positive – employment legislation ensures all staff are treated fairly and work in safe conditions, reducing the risk of staff from feeling demotivated
- Negative – satisfying employment legislation can involve changes/adaptions which Karen will need to ensure that she keeps up to date with employment legislation changes to ensure that she is in line with the law is time-consuming

**Example of a developed response:**

Karen needs to ensure that she obeys all employment laws (L1). She needs to keep up to date with employment legislation changes to ensure that all employment laws are met, which may be expensive, reducing her profits. If Karen breaks any employment laws, she could end up with a fine or having to pay compensation.

B2. Analyse the benefits of having an effective recruitment and selection process

Marks for this question: AO2 = 3; AO3 = 3

Level	Description
0	No answer worthy of any marks
1	Elementary analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>• Elementary analysis of the benefit of effective recruitment and selection</li> <li>• Elementary knowledge and understanding of the benefit of effective recruitment and selection which is applied to the context</li> </ul>
2	Some analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>• Partial analysis of the benefit of effective recruitment and selection</li> <li>• Applies some knowledge and understanding of the benefit of effective recruitment and selection which is applied to the context</li> </ul>
3	Comprehensive analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>• The impact of use of the benefit of effective recruitment and selection</li> <li>• Applies knowledge and understanding of the benefit of effective recruitment and selection applied to the context</li> </ul>

**Application**

- Effective recruitment and selection processes will help Karen to ensure that the best person is hired, improving the performance of her soap business
- Karen runs a small business so the new employee will have a large impact on her business
- It ensures that no employment laws are broken
- High productivity
- High-quality output
- Positive impact on customer service
- Positive impact on staff retention as staff feel that they are treated fairly and in line with employment laws

**Analysis**

- Positive – ensures laws are followed; find best person for the job; positive impact on business
- Negative – may be time-consuming; bureaucratic

**Example of a developed response:**

Following effective recruitment and selection processes helps ensure Karen finds the best person for the job, that she obeys all employment laws and, therefore, avoids any financial penalties (L2) and improves customer service. This will all have a positive impact on business profitability and customer service.

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B3. Recommend whether Karen should invest in off-the-job training to give Sam the new consumer laws affecting cosmetic products.

Marks for this question: AO2 = 3; AO3 = 6

Level	Description
0	No answer worthy of any marks
1	Elementary evaluation of theme/subject based on the context <ul style="list-style-type: none"> <li>Elementary assessment with a conclusion</li> <li>Elementary analysis of off-the-job training</li> <li>Simple knowledge and understanding is applied to the context</li> </ul>
2	Good evaluation of theme/subject based on the context <ul style="list-style-type: none"> <li>A sound assessment, with a conclusion, that is reasonably justified</li> <li>The issues surrounding off-the-job training are partially explored</li> <li>Applies some knowledge and understanding to the context</li> </ul>
3	Thorough evaluation of theme/subject based on the context <ul style="list-style-type: none"> <li>Unbroken analysis and thought which is coherent and appropriate, demonstrating a high level of understanding</li> <li>Issues surrounding off-the-job training are completely analysed</li> <li>Applies knowledge and understanding to the context appropriately</li> </ul>

#### Indicative content

##### Application:

- Off-the-job training involves Sam being trained away from the workplace, e.g. at a college
- Opportunity cost – while he is being trained, Sam will not produce any soaps
- Karen's business is small and off-the-job training may be quite expensive for Karen
- As a small business, Karen may not have the expertise to offer Sam's training on the premises

##### Analysis/evaluation:

- While training, Sam will not carry out any work, which will reduce the output of soaps
- The training will be general and not specific to Karen's business
- Off-the-job training is likely to be more expensive than on-the-job training
- The training will be delivered by specialists so is likely to be of better quality than on-the-job training
- The training relates to a specialist area and is designed to bring specialist knowledge which does not exist currently. It would, therefore, be impossible to carry out this training on the premises
- Sam may learn more effectively away from work disruptions
- Sam is likely to be motivated and view the training positively
- Sam is likely to achieve an external qualification as a result of the training. Additionally, Karen's staff will aid Karen's business; however, there is a risk that Sam may use his skills in employment at another business.

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## Section III

Total for this section: 36 marks

C1. Identify two appropriate business objectives for J's Irresistible Cakes for its first year of trading.

Marks for this question: AO1 = 2

1 mark for each appropriate objective identified for a small business during its first year of trading.

Possible answers:

- Break even
- Survive
- Develop a small market share
- Make a small profit
- Develop a brand name/reputation

C2. Explain how the launch of the website and online order facility will support the business objectives identified in question C1.

Marks for this question: AO1 = 2; AO2 = 2

Level	Description
0	No answer worthy of any marks
1	Elementary understanding and application of the theme/subject <ul style="list-style-type: none"><li>• Applies elementary knowledge and understanding to the context</li><li>• An elementary understanding of how the website launch will support the achievement of a business objective</li></ul>
2	Thorough understanding and application of the theme/subject <ul style="list-style-type: none"><li>• Applies knowledge and understanding to the context fully and appropriately</li><li>• A comprehensive understanding of how the website launch will support the achievement of a business objective</li></ul>

Possible answers:

- Website launch will help the business to gain sales from a wider geographical area
- The launch of website sales will boost sales revenue generated
- The website launch will help to promote the business and provide a platform for people to order cakes about the cakes and the business

Application:

- The launch of website sales will boost sales revenue generated by the business, therefore helping with survival, breaking even and making a small profit
- Photos of the cakes can be displayed on the website to demonstrate the cakes available
- Celebration cakes may be challenging to deliver by post / long distances without being damaged

Example of a developed response:

The website will enable James to attract sales/orders from outside of his immediate town, therefore increasing sales revenue generated (L1). The increased sales revenue will support the business's financial objectives of breaking even or making a small profit as there will be more sales revenue to cover the costs of the business.

C3. Explain how fluctuations in interest rates might affect James's business.

Marks for this question: AO1 = 2; AO2 = 2

Level	Description
0	No answer worthy of any marks
1	Elementary understanding and application of the theme/subject <ul style="list-style-type: none"><li>• Applies elementary knowledge and understanding to the context</li><li>• An elementary understanding of a benefit of locating in the centre of town</li></ul>
2	Thorough understanding and application of the theme/subject <ul style="list-style-type: none"><li>• Applies knowledge and understanding to the context fully and appropriately</li><li>• A comprehensive understanding of a benefit of locating in the centre of town</li></ul>

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**Possible answers:**

- Fluctuating interest rates create uncertainty
- Increased interest rates will increase the interest that James will have to pay for his bank loan
- Reduced interest rates will reduce the interest that James will have to pay for his bank loan

**Application:**

- James took out a bank loan to start his business and will have to pay interest on this. The interest he has to pay is influenced by the rate of interest.
- James's business is small and new
- James has limited business experience as he only left college last year, and, therefore, has limited experience of changes in interest rates

**Example of a developed response:**

Fluctuating interest rates will create uncertainty and change the costs and profitability of a business. If interest rates increase James will have to pay more interest on his bank loan, which will reduce the profit of his business. If interest rates reduce he will pay less interest on his bank loan, which will have a positive impact on his business (L2). Changing interest rates will affect James's bank loan if he does not have a fixed rate.

C4. J's Irresistible Cakes has fixed costs of £8,000 per year. Variable costs, per cake, are £12. The business sells an average of 40 cakes per month. Show the formula to calculate the profit made, and calculate the profit that the business makes per month. Show your workings and answer to two decimal places.

**Marks for this question:** AO1 = 1; AO2 = 4

Sales revenue – (fixed costs + variable costs) = Profit; AO1 = (1)

OR

Sales revenue – Total costs = Profit; AO1 = 1 (1)

Monthly fixed costs = £8,000 / 12 = £666.67 (1)

Monthly variable costs = £12 x 40 = £480 (1)

Total costs = £666.67 + £480 = £1,146.67 (1) (OFR)

Current sales revenue = £25 x 40 = £1,000

Current profit/loss = £1,000 – £1,146.67 = -£146.67 (1) (OFR)

C5. At a recent meeting James's bank manager suggested that James should convert his business to a private limited company as he feels that being a sole trader is hindering his profitability. Recommend whether James should convert his business to a private limited company. Give reasons for your answer.

**Marks for this question:** AO2 = 3; AO3 = 6

Level	Description
0	No answer worthy of any marks
1	Elementary evaluation of theme/subject based on the context <ul style="list-style-type: none"> <li>• Elementary assessment with a conclusion</li> <li>• Elementary analysis of value of sole trader business should become a private limited company</li> <li>• Simple knowledge and understanding is applied to the context</li> </ul>
2	Good evaluation of theme/subject based on the context <ul style="list-style-type: none"> <li>• Good assessment, with a conclusion, that is partially justified</li> <li>• Value of sole trader versus private limited company is partially explored</li> <li>• Applies some knowledge and understanding to the context</li> </ul>
3	Thorough evaluation of theme/subject based on the context <ul style="list-style-type: none"> <li>• Unbroken analysis and thought which is coherent and appropriate, demonstrates a justified conclusion</li> <li>• Value of sole trader versus private limited company is completely analysed</li> <li>• Applies knowledge and understanding to the context appropriately</li> </ul>

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## Indicative content

### Application:

- Sole trader – James started the business on his own as a sole trader; freedom over decisions; control over work; can keep all of the profit; less paperwork/bureaucracy; unlimited liability; perceived status of business
- Private limited company – James would jointly own the business with the other shareholders; more paperwork to set up; limited liability; incorporation; perceived status of business

### Analysis/evaluation:

- James started the business as a sole trader. He is currently the only owner of the business.
- James appears to enjoy making his own decisions relating to the business. If he moves to a private limited company, he will have to share decision-making and also profits made.
- James finished college recently and has never worked anywhere else so has limited experience. This may limit the success of a sole trader business.
- James will benefit from capital invested by the other shareholders in a private limited company.
- Finance raised by share capital is not affected by fluctuations in interest rates. Interest rates may affect profitability. If James moves to a private limited company, he will no longer have to replace the capital lost through share capital.
- Private limited companies benefit from limited liability, unlike sole traders. This means that the personal assets of the owner are safe and will not need to be used to repay business debts if the business fails.
- Sales and brand reputation may improve if the legal status changes from a sole trader to a private limited company.
- A bank may offer a more attractive rate of interest to a company compared with a sole trader's higher status.
- James will still have control over who can buy shares in a private limited company as long as he has the consent of other shareholders.

D1. Analyse the degree of the possible trade-off between ethics and profit. In your answer, address the following questions:

- Can ethical businesses maximise profitability?
- Does ethical behaviour satisfy all stakeholders?

Use evidence to support your evaluation.

Marks for this question: AO1 = 3; AO2 = 3; AO3 = 6

Level	Description
0	No answer worthy of any marks
1	Elementary broad discussion of theme/subject <ul style="list-style-type: none"> <li>• An elementary understanding of business concepts which is divorced from context and considerations/influences</li> <li>• An elementary understanding of at least one business concept</li> <li>• Points made are only partially significant to the question and context</li> </ul>
2	Some analysis and evaluation of theme/subject in separation to their interdependent factors based on the context <ul style="list-style-type: none"> <li>• An assessment, with a conclusion, that is partially justified</li> <li>• One business aspect is analysed in isolation</li> <li>• Applies some knowledge and understanding to the business context</li> </ul>
3	A complete analysis and evaluation of theme/subject based on the context <ul style="list-style-type: none"> <li>• A coherent and logical assessment, with a conclusion that is justified</li> <li>• The diverse nature of business areas are analysed separately or the interdependent components are considered in part</li> <li>• Applies knowledge and understanding to the context and considers the impact on business functional areas</li> </ul>
4	An amplified cohesive analysis and evaluation of theme/subject with prolonged context <ul style="list-style-type: none"> <li>• An integrated and appropriate assessment which is articulate, appropriate and supported by evidence. The aspect which has been impacted on most significantly is compared and contrasted</li> <li>• The diverse nature of business areas is completely analysed</li> <li>• Thoroughly relates knowledge and understanding to the context and effectively uses a range of approaches to considering several business functional areas</li> </ul>

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### Integrated approach:

- Trade-off means giving up something to get more of another alternative.
- Ethical behaviour means embracing responsible standards and moral standards in the business.
- Ethical practices will affect all areas of the business, e.g. human resources and marketing.
- Running a business in an ethical manner can be costly as ethical practices are often more expensive. Increased costs can dent business profits.
- To maximise profitability business managers often have to make unethical business decisions.
- Arguably some consumers actively support ethical businesses and are happy to pay more for ethical behaviour. Ethical behaviour may also be viewed as a USP and, therefore, attract increased brand loyalty. The higher prices/demand result in increased sales revenue which may offset the increased costs associated with ethical behaviour, and consequently profitability may be increased.
- James operates his business to make a profit. He has no other income and, therefore, must cover his living expenses.

### Indicative content:

Understanding	Application	Application
Ethical behaviour may be costly, which will dent profitability	Ethical behaviour may involve increased costs, e.g. paying employees more/fairly, using more expensive materials	Degree of trade-off between ethical practices Comparison of ethical practices
To maximise profitability, businesses need to make decisions that could be considered unethical	To maximise profitability, business costs need to be kept as low as possible. To reduce costs, businesses often need to be unethical, e.g. reduce pay levels to the minimum.	Are all unethical decisions necessary?
Ethical behaviour may boost sales and customer loyalty. Ethical behaviour may create a strong USP to offer an advantage over competitors.	Ethical behaviour may attract more sales and customer loyalty. Ethical behaviour may make the business different to others.	Business costs are justified by increased profitability as sales increase
There may be no trade-off because the increased sales generated as a result of ethical behaviour will more than compensate for the increased costs	Due to the increased sales there may not be any trade-off because the ethical behaviour generates more in sales revenue	Business costs are justified by increased profitability as sales increase
In the current challenging economic climate people have to put financial considerations before moral and ethical ones	Families are financially squeezed at the moment and, therefore, care more about financial concerns than ethical ones	Is ethical behaviour still relevant today's economic climate? Do people value ethical behaviour?
Ethical behaviour may be unpopular with shareholders	Shareholders may feel that businesses operate in order to make a profit. If a business is not central to a business's operations it is unethical because it is their money that enables the business to exist.	Should a business consider the interests of stakeholders who are not shareholders? (e.g. employees, suppliers, customers) Do all customers value ethical behaviour equally?

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## Practice Paper D

### Section I

Total for this section: 20 marks

Question number	Answer
1	D
2	A
3	C
4	C
5	A
6	B

1–6 = AO1 × 6

(1 mark for each correct answer)

7. Identify objectives that an entrepreneur is likely to have.

**Marks for this question:** AO1 = 2

1 mark for each item of knowledge of an appropriate objective for an entrepreneur up to

**Indicative content:**

- To be their own boss
- Flexibility and control over their working hours
- To pursue an interest
- To earn more money
- To satisfy a gap in the market that they identified
- Dissatisfaction with current job

The indicative content is not exhaustive; other creditworthy material should be awarded

8. Explain one advantage to an employee of working in a tall organisational structure.

**Marks for this question:** AO1 = 2

1 mark for one valid benefit identified

1 mark for developing the answer, explaining the benefit

**Indicative content:**

- A tall organisational structure is one with narrow spans of control and a greater number of levels
- More promotional opportunities available to progress to different levels of the hierarchy
- Most line managers have narrow spans of control so are able to support their teams better
- Individual employees are likely to know their line manager better

The indicative content is not exhaustive; other creditworthy material should be awarded

**Example of a developed response:**

*A tall organisational structure will have narrow spans of control. Employees are likely to know their line managers are able to support their employees more closely (1), which can result in employees*

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9. Explain one benefit that limited liability offers the owners of a business.

**Marks for this question:** AO1 = 3

1 mark for one valid benefit identified

2 marks for developing the answer, explaining the benefit

**Possible answers include:**

- Limited liability means that owners have no duty to pay debts run up by the business
- The maximum amount that an owner can lose if a business fails is the amount that they have invested
- Their personal possessions are safe
- Limited companies, such as private and public limited companies, have limited liability

**Example of a developed response:**

Limited liability means that the owners are not liable for the debts of a business if it fails (1). The maximum amount that an owner can lose is their original investment. As their personal possessions are safe (1) it will give them the confidence to expand the business, which can potentially increase profits (1).

10. Explain one benefit of decentralisation for a business.

**Marks for this question:** AO1 = 3

1 mark for one valid benefit identified

2 marks for developing the answer by explaining the impact of the benefit for a business

**Possible answers include:**

- Decision-making authority is spread throughout the organisation
- Employees in all areas are able to take decisions
- Decision-making authority is not reserved solely for the central headquarters

**Example of a developed response:**

Decentralisation means that decision-making authority is spread throughout the organisation (1). This allows decisions to be made closer to the customer, which can better meet local needs (1), which can help to satisfy customers better and create a competitive advantage (1). This can lead to increased sales and profitability (1).

Employees throughout the organisation will be motivated as a result of being given decision-making authority (1). This will lead to staff working harder and being less likely to leave (1), which will improve business performance (1).

11. Explain two benefits to a business of growing externally through mergers.

**Marks for this question:** AO1 = 4

1 mark for each item of knowledge of a benefit up to 2 marks

1 mark for developing the answer explaining a benefit of growing externally through mergers

**Possible answers include:**

- Less hostile than a takeover
- Economies of scale
- Increased market share
- Can acquire specialist skills/knowledge from the other business
- A quick method to grow

**Example of a developed response:**

A merger is less hostile than a takeover (1). It is more likely to be accepted by employees and their skills/experience are retained (1), thereby benefiting the business's reputation and performance (1).

Merging is a quick method of acquiring specialist skills/experience into a business (1) which can help it become more competitive (1), leading to increased sales and profitability (1).

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## Section II

Total for this section: 34 marks

A1. Identify two sections that may be included in a business plan.

**Marks for this question:** AO1 = 2

1 mark for knowledge of each section up to 2 marks

**Indicative content:**

- Background information about the owners/founders including their CVs
- The business's objectives
- Financial forecasts, e.g. sales, profits, cash flow
- How the business will compete against rivals, e.g. marketing plans
- Budgets for expansion – e.g. budget for new output and new products

A2. Calculate the difference in the business's weekly expenditure on staff wages if the hourly wage level increases from £5.55 to £5.90 per hour. Assume that the number of hours worked by staff remains the same.

**Marks for this question:** AO2 = 3

3 marks for applying the correct calculations

Current weekly expenditure on staff wages =  $(2 \times 25) \times £5.55 = £277.50$  (1)

New weekly expenditure on staff wages =  $(2 \times 25) \times £5.90 = £295.00$  (1)

Difference =  $£295.00 - £277.50 = £17.50$  (1) (OFR)

A3. Identify two headings that may be included within a job description for one of the roles at PR Animal Hospital.

**Marks for this question:** AO1 = 2

1 mark for each appropriate heading identified up to a maximum of two headings

**Possible answers:**

- Job title
- Main tasks
- Department
- Location
- Supervisor / reporting line

The list of answers is not exhaustive. Any alternative answers which are creditworthy should be accepted.

A4. Analyse the potential impact of the competition accepting rabbits and gerbils on the business of Peter and Rosa's business.

**Marks for this question:** AO2 = 3; AO3 = 3

Level	Description
0	No answer worthy of any marks
1	Elementary analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>• Elementary analysis of impact of competitor</li> <li>• Limited knowledge and understanding of impact of the competition on the business which is applied to the context</li> </ul>
2	Some analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>• Partial analysis of impact of competitor</li> <li>• Applies some knowledge and understanding of the impact of the competition on the business which is applied to the context</li> </ul>
3	Comprehensive analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>• The impact of the competition is completely analysed appropriately</li> <li>• Applies knowledge and understanding of the impact of the competition on the business which is applied to the context</li> </ul>

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### Application

- Only competitor in the local area
- Competitor now accepts small animals in addition to cats, which will result in direct competition
- Competitor has a reputation for caring for cats
- Peter and Rosa have experience of working with small animals from their current job

### Analysis

- Affect the business positively – Peter and Rosa have experience of working with small animals, unlike the competitor who only has experience of caring for cats; competitor is established, whereas Peter and Rosa will care for a larger range of animals
- Affect the business negatively – Some customers will have a cat and a small animal and will need care for both; competitor is established, whereas Peter and Rosa are new; competitor has increased the range of animals before Peter and Rosa establish their business

### Example of a developed response:

The competitor only cares for rabbits and aerobically fit animals, whereas Peter and Rosa care for a large range of animals. Peter and Rosa currently work with animals (L1) and so have experience and knowledge of animal care. People will be more willing to take their animal to PR Animal Hotel because they will receive better care (L2). People often feel passionately about their pets and will be keen to ensure they are well cared for.

B1. Analyse the impact of a motivated workforce on the customer service that PR Animal Hotel can offer.

Marks for this question: AO2 = 3; AO3 = 3

Level	Description
0	No answer worthy of any marks
1	Elementary analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>• Elementary analysis of the impact of a motivated workforce</li> <li>• Elementary knowledge and understanding of impact of a motivated workforce which is applied to the context</li> </ul>
2	Some analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>• Partial analysis of impact of a motivated workforce</li> <li>• Applies some knowledge and understanding of the impact of motivated workforce on customer service which is applied to the context</li> </ul>
3	Comprehensive analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>• The impact of a motivated workforce is completely analysed appropriately</li> <li>• Applies knowledge and understanding of the impact of motivated workforce on customer service which is applied to the context</li> </ul>

### Application

- PR Animal Hotel is a service business so staff are particularly important to the success of the business
- A motivated workforce will offer better care for the animals
- A motivated workforce will give the hotel a competitive advantage compared with the competitor
- Peter's authoritarian management style may not motivate the staff

### Analysis

- Positive – motivated workers will offer better care for the animals since they will work harder and more efficiently; improved staff retention as motivated workers will not look for employment elsewhere; staff will be more likely to take on additional tasks to take the pressure off Peter and Rosa
- Negative – different staff are motivated in different ways so motivating all staff is difficult; staff may be overworked and stressed, therefore, reduce profitability

### Example of a developed response:

Motivated workers will offer better care for the animals (L1) since they will work harder (L2) for the business, which makes the impact of staff on the level of customer service greater (L2). Motivated staff will be more likely to take on additional tasks to take the pressure off Peter and Rosa (L1), which will increase customer satisfaction (L2) leading to positive reviews (L2) and more customers (L2), boosting the performance and profitability of the hotel (L3).

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B2. Analyse the impact that changing the style of management used may have on the business.

Marks for this question: AO2 = 3; AO3 = 3

Level	Description
0	No answer worthy of any marks
1	Elementary analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>Elementary analysis of the impact of style of management on motivation</li> <li>Elementary knowledge and understanding of impact of style of management applied to the context</li> </ul>
2	Some analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>Partial analysis of the impact of style of management on motivation</li> <li>Applies some knowledge and understanding of the impact of style of management which is applied to the context</li> </ul>
3	Comprehensive analysis of themes/subject based on the context <ul style="list-style-type: none"> <li>The impact of style of management on motivation is thoroughly analysed</li> <li>Applies knowledge and understanding of the impact of style of management effectively to the context</li> </ul>

#### Application

- Peter's authoritarian management style may reduce staff motivation
- How staff are managed will affect how they are communicated with, how much they are supervised and will, therefore, affect their motivation
- Different people are motivated by and prefer different styles of management
- Changing to a democratic management style may be preferred by some employees

#### Analysis

- Positive – a change to democratic management style may better motivate staff
- Negative – staff may like the authoritarian management style and it may be another demotivation; staff may be confused if the management style changes suddenly

#### Example of a developed response:

Staff may be demotivated by Peter's authoritarian management style (L1) as authority is in the decisions (L1). A democratic style may motivate staff if they wish to be involved in the decisions (L1). A democratic style may lead to better customer service and care for the animals, thereby increasing the business's overall performance.

B3. Recommend whether PR Animal Hotel should employ one full-time animal care assistant or two part-time animal care assistants. Give reasons for your advice.

Marks for this question: AO2 = 3; AO3 = 6

Level	Description
0	No answer worthy of any marks
1	Elementary evaluation of theme/subject based on the context <ul style="list-style-type: none"> <li>Elementary assessment with a conclusion</li> <li>Elementary analysis of part-time versus full-time employees</li> <li>Simple knowledge and understanding is applied to the context</li> </ul>
2	Good evaluation of theme/subject based on the context <ul style="list-style-type: none"> <li>Partial assessment, with a conclusion, that is partially justified</li> <li>Partial analysis of issues surrounding part-time versus full-time employees are partially evaluated</li> <li>Applies some knowledge and understanding to the context</li> </ul>
3	Thorough evaluation of theme/subject based on the context <ul style="list-style-type: none"> <li>Unbroken analysis and thought which is coherent and appropriate, demonstrating a justified conclusion</li> <li>The issues surrounding part-time versus full-time employees are completely evaluated</li> <li>Applies knowledge and understanding to the context appropriately</li> </ul>

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## Indicative content

### Application:

- PR Animal Hotel has a limited budget and can only afford one option
- Animal care needs to be offered 24/7 as the hotel never closes
- Animals may prefer to be cared for by one employee rather than two. They may find
- Two part-time employees could work at different times

### Analysis/evaluation:

- Part-time employees could work at different times, which means there is always some animals while the other is off
- Part-time employees can offer complementary skills/experience whereas a full-time employee has one set of skills/experience
- Part-time employees require more coordination of hours to ensure seamless care of animals and sickness
- Peter and Rosa may have to communicate twice, i.e. to each member of staff
- The employees will need some time to get together, which will reduce the efficient use of time
- Full-time employees may be more committed to the business
- Full-time employees may spend more time at the hotel and, therefore, get to know the animals better
- Animals may prefer to be cared for by one employee

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## Section III

Total for this section: 36 marks

C1. Identify two stakeholders who may influence the operations of the business

Marks for this question: AO1 = 2

1 mark for each appropriate stakeholder identified up to a maximum of two

Possible answers:

- Employees
- Shareholders
- Customers
- Local community
- Government
- Lenders
- Suppliers

The list of answers is not exhaustive. Any alternative answers which are creditworthy should be accepted.

C2. Explain one way that a member of the local community may react to news of the business expanding.

Marks for this question: AO1 = 2; AO2 = 2

Level	Description
0	No answer worthy of any marks
1	Elementary understanding and application of the theme/subject <ul style="list-style-type: none"><li>• Applies elementary knowledge and understanding to the context</li><li>• An elementary understanding of how stakeholders may protect their own interests</li></ul>
2	Thorough understanding and application of the theme/subject <ul style="list-style-type: none"><li>• Applies knowledge and understanding to the context fully and appropriately</li><li>• A comprehensive understanding of how stakeholders may protect their own interests</li></ul>

Possible answers:

- Support the change by spreading positive comments within the local community
- Lobby government
- Strike
- Complain
- Boycott the products
- Generate positive/negative media coverage
- Generate positive/negative social media coverage

Application:

- Business expanding and opening a new factory
- Family-run local business
- Established for a number of years

Example of a developed response:

The local community may be unhappy about the new factory close to their homes (L1). They may (L2) to generate negative publicity for the business. This will lead to the business name being damaged, reducing potential sales and damaging community relations (L2).

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C3. Explain one benefit to the business of using TQM.

Marks for this question: AO1 = 2; AO2 = 2

Level	Description
0	No answer worthy of any marks
1	Elementary understanding and application of the theme/subject <ul style="list-style-type: none"><li>• Applies elementary knowledge and understanding to the context</li><li>• An elementary understanding of a benefit of TQM</li></ul>
2	Thorough understanding and application of the theme/subject <ul style="list-style-type: none"><li>• Applies knowledge and understanding to the context fully and appropriately</li><li>• A comprehensive understanding of a benefit of TQM</li></ul>

Possible answers:

- TQM is total quality management
- Involves all employees in the process of improving quality
- Focus is on preventing mistakes rather than finding errors at the end of production
- Focuses on improving quality in every part of the production process

Application:

- Quality is critical to Bertie's Bags' competitive advantage

Example of a developed response:

TQM involves all employees in the process of boosting quality (L1), which can be motivated by different skills/experiences and can analyse quality from the perspective of their own job roles.

Preventing errors rather than detecting errors avoids costly reworking (L2) and customer complaints, protecting Bertie's Bags' reputation (L2).

C4. After all of the development costs are paid, calculate the percentage of the budget that can be used to promote the new website. Show your workings and answer to 1 decimal place.

Marks for this question: AO1 = 1; AO2 = 4

Fixed costs = £100 + £1,250 = £1,350 (1)

Content of six pages = 6 x £150.60 = £903.60 (1)

Total cost = £1,350 + £903.60 = £2,253.60 (1) (OFR)

Budget remaining for marketing = £5,000 – £2,253.60 = £2,746.40 (1) (OFR)

% = £2,746.40 / £5,000 x 100 = 54.93% (1) (OFR)

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- C5. The business has purchased raw materials used to make the bags from the same supplier for a number of years. The cost of the new factory is significant and John and Derek are looking for a new supplier. John finds a supplier who can supply the materials for 5% cheaper than the current supplier. Recommend whether the business should change to the new cheaper supplier. Give reasons for your answer.

Marks for this question: AO2 = 3; AO3 = 6

Level	Description
0	No answer worthy of any marks
1	Elementary evaluation of theme/subject based on the context <ul style="list-style-type: none"> <li>Elementary assessment with a conclusion</li> <li>Elementary analysis of whether the business should change to a new supplier</li> <li>Simple knowledge and understanding is applied to the context</li> </ul>
2	Good evaluation of theme/subject based on the context <ul style="list-style-type: none"> <li>A sound assessment with a conclusion, that is partially justified</li> <li>Value of changing to a new supplier is partially explored</li> <li>Applies some knowledge and understanding to the context</li> </ul>
3	Thorough evaluation of theme/subject based on the context <ul style="list-style-type: none"> <li>Unbroken analysis and thought which is coherent and appropriate, demonstrating a justified conclusion</li> <li>Value of changing to a new supplier is completely analysed</li> <li>Applies knowledge and understanding to the context appropriately</li> </ul>

#### Indicative content

##### Application:

- Current supplier has worked with business for a number of years – suggests a good relationship
- Change to cheaper supplier may reduce the quality of the bags if the supplies are of lower quality
- Supplies are only 5% cheaper, which is not a lot
- New supplier may not be as reliable
- Business has a large expense when it moves to a new factory

##### Analysis/evaluation:

- Bertie's Bags has used the same supplier for a number of years
- The current supplier must meet the business's quality standards otherwise it would not have been used for so long
- The relationship with the current supplier is likely to be good as they have worked together for a long time
- Changing to a cheaper supplier may reduce the quality of the materials used, which are used to produce the bags, and therefore, affect the business's competitive advantage and lead to a loss of sales. 5% may not be too large, and the reduction in sales may more than overcome the cost saving.
- Bertie's Bags needs to reduce costs to pay for the new factory so a 5% reduction is significant
- New supplier may supply materials of a better quality and a more reliable service

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- D1. Analyse the impact of changing from a just-in-case (JIC) to a just-in-time (JIT) system. In your answer you should consider:
- the suitability of JIT
  - the impact on profitability
- Evaluate, using evidence to support your answer, which approach to stock management is best for Bertie's Bags.

Marks for this question: AO1 = 3; AO2 = 3; AO3 = 6

Level	Description
0	No answer worthy of any marks
1	Elementary broad discussion of theme/subject <ul style="list-style-type: none"> <li>An elementary understanding of business concepts which is divorced from other considerations/influences</li> <li>An elementary understanding of at least one business concept</li> <li>Points made are only partially significant to the question and context</li> </ul>
2	Some analysis and evaluation of the subject in separation to their interdependence based on the context <ul style="list-style-type: none"> <li>An assessment with a conclusion, that is partially justified</li> <li>A business aspect is analysed in isolation</li> <li>Shows some knowledge and understanding to the business context</li> </ul>
3	A complete analysis and evaluation of theme/subject based on the context <ul style="list-style-type: none"> <li>A coherent and relevant assessment, with a conclusion that is justified</li> <li>Diverse business areas are analysed separately or the interdependent complexity analysed in part</li> <li>Applies knowledge and understanding to the context and considers the impact on functional areas</li> </ul>
4	An amplified cohesive analysis and evaluation of theme/subject with prolonged judgement <ul style="list-style-type: none"> <li>An integrated and appropriate assessment which is articulate, appropriate and concludes. The aspect which has been impacted on most significantly is completely analysed</li> <li>The diverse nature of business areas is completely analysed</li> <li>Thoroughly relates knowledge and understanding to the context and effectively considers several business functional areas</li> </ul>

#### Integrated approach:

- The JIC system of stock management ensures that there is always a supply of raw material enables Bertie's Bags to satisfy last-minute orders. This flexibility has created the business's competitive advantage.
- The JIT system will not enable last-minute orders to be met as easily and, therefore, customer competitive advantage may be lost
- Less storage is needed with the JIT system. There will be less risk of stock becoming obsolete or damaged.
- The storage space freed up could be used for production and, therefore, could overcome the problem of limited production capacity.
- JIT relies on good relationship with the supplier – should Bertie's Bags be changing to a new supplier if it has no relationship?
- JIT will help the business's cash flow as there will be no money tied up in unused stock. Stock is only ordered when it is needed.

#### Indicative content

Understanding	Application	Analysis
JIT relies on good relationships with suppliers	Bertie's Bags is changing to a new supplier	The business may not have a new supplier. It is cheaper to buy from the old supplier, and the supplier whom it has supplied historically.
JIC enables Bertie's Bags to have a competitive advantage	The business prides itself on being able to meet last-minute orders	The business's competitive advantage is its ability to meet last-minute orders. This may affect sales revenue.
JIT requires less storage space	Bertie's Bags needs more production capacity and is planning a new factory	The introduction of JIT may require a new factory as the storage space is needed for production instead. This will cost money on a new factory.
JIT will help the business's cash flow	The business will have less cash tied up in stock and can be used to expand the business further	Improved cash flow will allow the business to expand further.
The old supplier has served the business for a long time and may be complacent	The old supplier may take Bertie's Bags' custom for granted and not offer a competitive price / the best service	The new supplier may value the business more and therefore, work hard to provide the best possible service in order to reduce the risk of losing the supplier again.

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