



Practice Papers for GCSE Edexcel Business

Theme 2: Building a Business

Update v1.1, October 2022

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Teacher's Introduction

This resource consists of four Paper 2 (1BS0/02) practice papers and mark schemes that can be used by teachers to prepare learners to be examined at the end of their Pearson Edexcel Level 1 / Level 2 GCSE (9–1) in Business (1BS0) course. The well-known saying suggests 'practice makes perfect' and hopefully the papers will help learners to perfect their exam skills which are particularly critical to meet the challenges of linear assessment. The qualification is assessed via two exams which are sat at the end of the course so ensuring students are familiar with the style and content of the papers is essential to prepare candidates with the best chance of securing pleasing results.

The papers are written to cover all Theme 2: Building a Business topics within the Pearson Edexcel specification which are assessed within Paper 2. 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 learners the opportunity to 'think like an examiner'.

Revision: When the learners are approaching their final exams a whole practice paper could be given to students 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.

January 2019

v1.1 Update October 2022

Source book provided for extracts

Exam timing changed to 1hr45

Exam Paper Structure

The Pearson Edexcel Level 1 / Level 2 GCSE (9–1) in Business (1BS0) exams run from 2020. The qualification is linear, so students sit both exams in the summer of their final year.

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

Theme 1: Investigating Small Business Written exam – 1 hour 45 minutes 90 marks 50% of final GCSE grade	+	Theme 2: Building a Business Written exam – 1 hour 45 minutes 90 marks 50% of final GCSE grade
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There are no optional papers in this qualification so all candidates must sit both papers to be awarded. There are also no higher and foundation tiers as all candidates entered will include differentiated questions aimed at top and lower grades.

Students have 1 hour and 45 minutes to complete Paper 2, which assesses the topic of Building a Business. The paper is worth 90 marks overall and constitutes 50% of the overall grade.

The paper is divided into three sections. The first section consists of a range of short-answer questions. The questions are normally not based on a lengthy case study; they focus on assessing knowledge. Minimal context may be provided to support the questions. There are normally some questions included in this section which assess the ability to apply knowledge.

The second and third sections are based on separate case study examples. Students are required to read the case study to a question thoroughly before planning any answer. Answers should be given in 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 questions require students to apply their business subject knowledge from throughout the specification to form a response that is appropriate to the business context given. Students who score the highest marks will link and apply their answers to the case study situation rather than offer generic responses. For example, if a case study states 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'. Information is included within a case study for a purpose and the examiner wants all relevant information to demonstrate their in-depth business knowledge. The best students to showcase their in-depth knowledge and ability to apply all aspects of the specification to the case study.

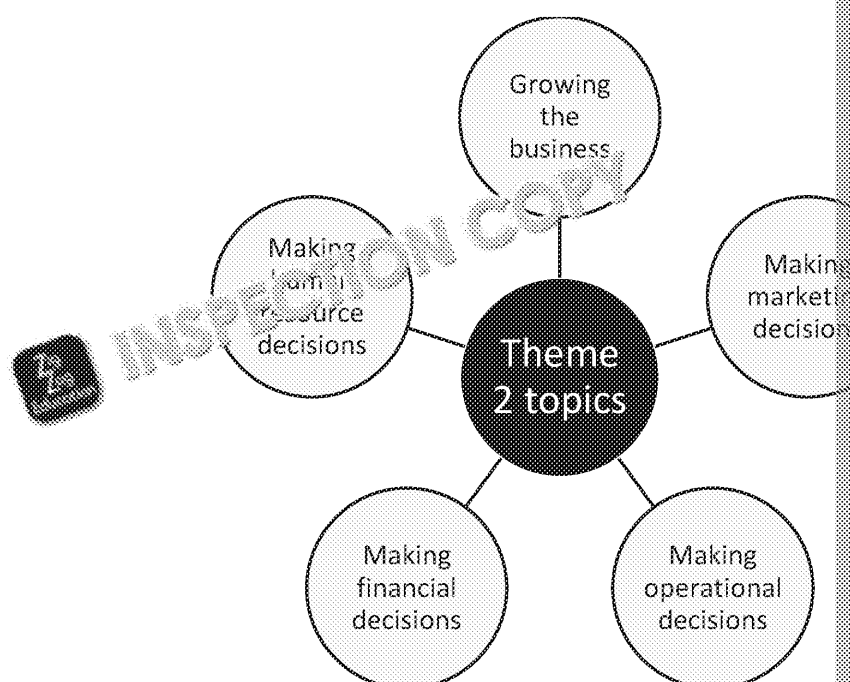


Figure: What's assessed in Theme 2: Building a Business

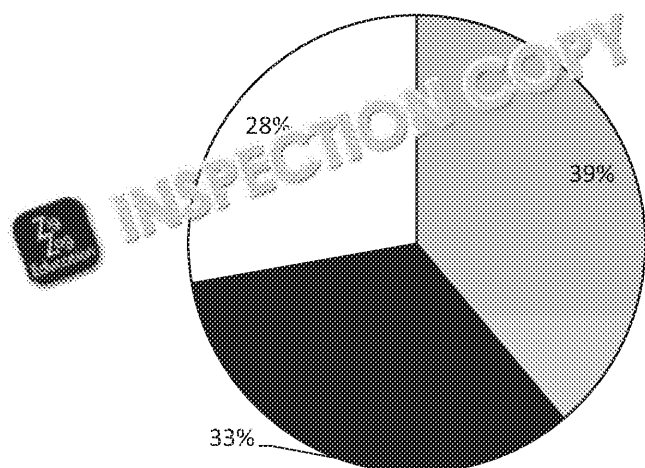
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Students should always look at the number of marks awarded for each question and the amount of depth a student should include within a response.

Time management is a critical skill for GCSE Business students to master. It is a good idea to divide their 105 minutes across the total time offered for the paper. For guidance, spending approximately 35 minutes per section

Time allocation



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

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Command words

The following table outlines some of the commonly used command words for the face when completing Paper 2.

Command word	Overview
Analyse	Divide information into separate parts and identify their features.
Calculate	Complete a numerical calculation to work out an answer to a question. Avoid simply giving the answer to 'calculation' questions because if the final answer is wrong, the examiner is able to award marks for the correct working. If the final answer is wrong, the examiner is able to award marks for the correct working.
Describe	Set out fundamental points to outline a term.
Evaluate	Make a judgement based on the information available with consideration of the advantages and drawbacks of the option(s).
Explain	Present reasons for an answer.
Identify	Provide a suitable example(s) that is relevant to word or phrase(s) required.
Justify	Propose an answer supported by evidence.
Recommend	After considering different options make an informed judgement to be taken (supported by evidence). Avoid 'sitting on the fence' stating that both/all options should be chosen is not advisable.
State	Express in clear and concise terms.

Assessment objectives

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

AO1	<ul style="list-style-type: none"> Demonstrate knowledge and understanding of business concepts 35% of marks available
AO2	<ul style="list-style-type: none"> Apply knowledge and understanding of business concepts to contexts 35% of marks available
AO3	<ul style="list-style-type: none"> Analyse and evaluate business information and issues to discuss business activity, make judgements and draw conclusions 30% of marks available

Exam technique

Many students rush straight into writing their answer. This is inadvisable as rushing often does not address the question asked and at best may lead to poorly structured responses. However, it is important to plan your answer. Often helps to improve the quality of answers composed. However, it is important as it may starve candidates of time to actually write their answer.

Candidates should spend a few minutes to plan their answer. They could use a spider diagram which outlines the structure and key points.

Activity – plan

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

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Specification Coverage

Subject Content	Paper 2A	Paper 2B
Topic 2.1 Growing the business		
2.1.1 Business growth	✓	✓
2.1.2 Changes in business aims and objectives		
2.1.3 Business and globalisation	✓	
2.1.4 Ethics, the environment and business		✓
Topic 2.2 Making marketing decisions		
2.2.1 Product	✓	✓
2.2.2 Price		✓
2.2.3 Promotion	✓	✓
2.2.4 Place	✓	
2.2.5 Use the marketing mix to make business decisions		
Topic 2.3 Making operational decisions		
2.3.1 Business operations	✓	
2.3.2 Working with suppliers		✓
2.3.3 Managing quality	✓	
2.3.4 The sales process		
Topic 2.4 Making financial decisions		
2.4.1 Business calculations	✓	✓
2.4.2 Understanding business performance	✓	✓
Topic 2.5 Making human resource decisions		
2.5.1 Organisational structures	✓	✓
2.5.2 Effective recruitment	✓	✓
2.5.3 Effective training and development	✓	✓
2.5.4 Motivation	✓	✓

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ZigZag Practice Exam Papers

Supporting Pearson Edexcel Level 1 / Level 2 GCSE (9–1) in Business

GCSE (9–1) in Business

Paper 2

Building a business

Practice Paper A: Source Booklet

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Section B

Read the following extract before answering Questions 9–11.

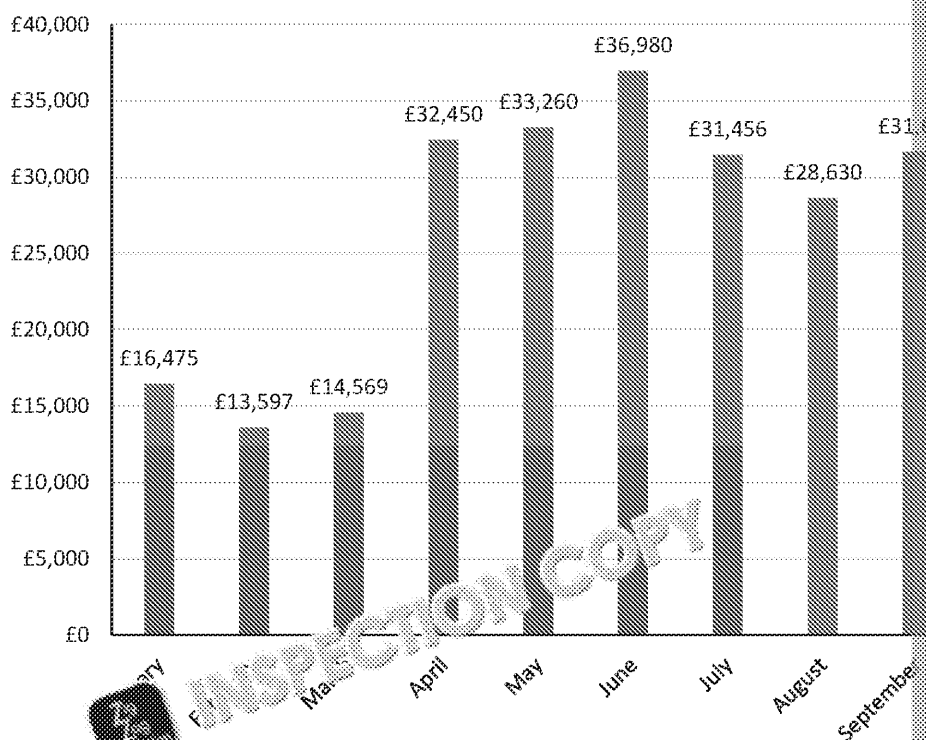
Item A: The Chippy

Marcus runs a fish and chip takeaway business in the town of Homesville, which is successful, and he is planning to expand. Marcus currently runs the business as a sole trader.

Seb runs a rival fish and chip takeaway business in the tourist resort of Crayke. Seb is planning to expand and has suggested that he and Marcus merge their businesses. The new business, which would be rebranded as 'The Chippy', would have two takeaway outlets. The terms of the merger and all employees of the newly merged business. The terms of employment would be agreed between the two businesses. Employees of both outlets will be paid the same rate of £8.25 per hour (this is the current rate for both businesses, but in Seb's employees receive a 5% pay rise, but in Seb's employees receive a 5% pay rise).

Marcus and Seb have carried out some market research to support their new business. They have predicted the following monthly sales revenue for The Chippy:

Sales Revenue – The Chippy



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Section C

Read the following extract before answering Questions 1–4.

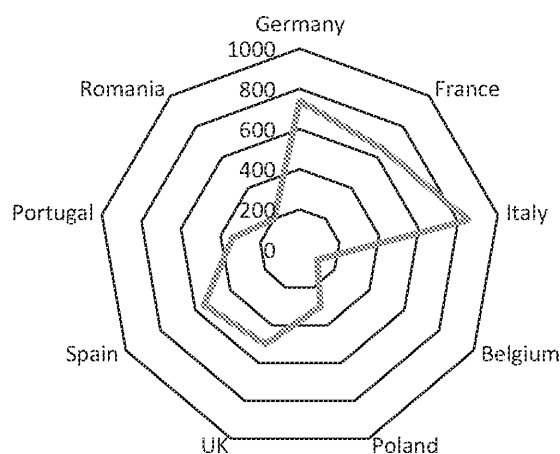
Item B: Discount Unlimited Ltd

Discount Unlimited is a leading discount food retailer with shops across Europe, including Germany and France. The company's head office is in the UK and it has shops throughout the UK and is planning to increase the number of shops in the UK as part of its ambitious organic growth strategy. The company is currently a public limited company and is run in the UK as a private limited company.

The business prides itself on selling basic food items at a lower price than most supermarket brands that it competes against. The business achieves this as it has gained from the volume of goods sold across the various countries in which it operates. Discount Unlimited sells only 700 of the product ranges offered by many leading UK supermarkets. It has a small display of products in its shops. All of the business's sales are generated via its website and it has no e-commerce function.

The business has run several successful television advertising campaigns in the UK, promoting quality at affordable prices.

Shop numbers by country



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ZigZag Practice Exam Papers

Supporting Pearson Edexcel Level 1 / Level 2 GCSE (9–1) in Business

GCSE (9–1) in Business

Paper 2

Building a business

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.

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Section A

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. (a) Which one of the following documents would be used by a business when recruiting new staff?

Select one answer.

- A. Break-even chart
- B. Cash flow forecast
- C. Job description
- D. Person specification

- (b) Which one of the following is most likely to boost staff motivation in a business?
- Select one answer.

- A. A pay reduction
- B. Poor communication
- C. Running a team-building day
- D. High numbers of customer complaints

- (c) Explain one benefit to a business of job production.

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- (d) Explain one advantage of setting up a business as a public limited company.

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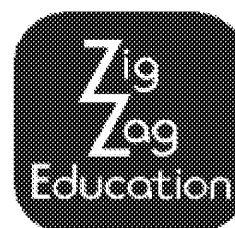
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(11)

Five options are offered for multiple-choice questions. Select **two answers only** answer by placing a tick in the box to the right.

2. (a) Which two of the following are benefits of maintaining high quality?

Select two answers.

- A. Increased costs
- B. Increased staff training
- C. Inspection costs
- D. Achieving a competitive advantage
- E. Additional sales

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(b) Which two of the following may be used as an extension strategy for a product?

- A. Stop production
- B. Do nothing
- C. Update the packaging
- D. Reduce production
- E. Advertise on social media

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(c) A business makes a gross profit of £32,000 in 2017 and its gross profit is 20% of the value of sales revenue for the period (to the nearest whole pound)

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(d) Explain one example of a barrier to international trade.

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- (e) Explain one disadvantage to a business of providing insufficient employment.

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(Total 10 marks)

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

3. (a) Which one of the following is a benefit that a wholesaler may offer a producer?
- A. Higher-quality raw materials
 - B. Low-cost loans
 - C. Break the bulk
 - D. Staff training

- (b) A bus company invests in a new bus which generates an annual return of £8,500 in Year 2 and £11,000 in Year 3. The bus cost £120,000 to purchase for the new bus. Show all workings.

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- (c) Explain one reason why a business may employ staff on temporary contracts.

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(d) Explain one drawback to a business of poor staff retention.

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(e) Discuss the importance to a business of differentiating a product/service

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(Total 10 marks)

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In the Source Booklet, read Item A before answering Question 1.

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- [illegible]

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5. (a) Identify the month that The Chippy generates the lowest sales revenue.

[illegible]

- (b) Identify the sales revenue that The Chippy generates in January.

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- (c) Calculate the gross profit for the year if the cost of sales is £250,000.

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- (d) The Chippy was created when two rival takeaway businesses merged. Analyse the impact on Marcus's business of growing via merger.

(The page contains ten sets of primary-ruled lines for handwriting practice.)

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6. (a) State one reason why motivation is important in the workplace.

- (b) Outline one possible benefit to a business, such as The Chippy of carrying reviews on its employees.

- (c) The company is considering two options to improve staff motivation after the success of the first year:
- Option 1: Financial methods of motivation which will involve all employees receiving a bonus if the sales revenue exceeds £30,000 per month
 - Option 2: Non-financial methods of motivation which will involve staff receiving a bonus if the sales revenue exceeds £30,000 per month

Justify which one of these options The Chippy should choose.

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Identify the country with the highest number of Disasters

- (b) Identify the country with the highest number of Discount Unlimited shares.

- (c) Outline one reason why television advertising has supported the growth

- (d) To improve its competitive advantage, Discount Unlimited is considering
- Option 1: Increase the number of product lines offered
 - Option 2: Introduce online shopping whereby customers' orders are

Justify which one of these options Discount Unlimited should choose.

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- (e) Evaluate whether Discount Unlimited should continue with its strategy and continuing to operate as a private limited company. You should use the information provided as well as your knowledge of business.



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ZigZag Practice Exam Papers

Supporting Pearson Edexcel Level 1 / Level 2 GCSE (9–1) in Business

GCSE (9–1) in Business

Paper 2

Building a business

Practice Paper A

Time allowed

1 hour and 45 minutes

Instructions

Answer **all** of the questions.

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 A

Answer all questions within this section

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

1. (a) Which one of the following documents would be used by a business with staff?
- Select one answer.
- A. Break-even chart
 - B. Cash flow forecast
 - C. Person description
 - D. Person specification
- (b) Which one of the following is most likely to boost staff motivation in a business?
- Select one answer.
- A. A pay reduction
 - B. Poor communication
 - C. Running a team-building day
 - D. High numbers of customer complaints
- (c) Explain one benefit to a business of job production.
- (d) Explain one advantage of setting up a business as a public limited company.

Five options are offered for multiple-choice questions. Select **two answers only** for

2. (a) Which two of the following are benefits of maintaining high quality?
- Select two answers.
- A. Increased costs
 - B. Increased staff training
 - C. Inspection costs
 - D. Achieving a competitive advantage
 - E. Additional sales
- (b) Which two of the following may be used as an extension strategy for a business?
- Select two answers.
- A. Increase production
 - B. Do nothing
 - C. Update the packaging
 - D. Reduce production
 - E. Advertise on social media

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- (c) A business makes a gross profit of £32,000 in 2017 and its gross profit margin is 20%. Calculate the value of sales revenue for the period (to the nearest whole pound).
- (d) Explain one example of a barrier to international trade.
- (e) Explain one disadvantage to a business of providing insufficient employee training.

(Total 10 marks)

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

3. (a) Which one of the following is a benefit that a wholesaler may offer a producer?
- A. Supply of quality raw materials
 - B. Access to credit
 - C. Break the bulk
 - D. Staff training
- (b) A bus company invests in a new bus which generates an annual return of £8,500 in Year 2 and £11,000 in Year 3. The bus cost £120,000 to purchase. Calculate the payback period for the new bus. Show all workings.
- (c) Explain one reason why a business may employ staff on temporary contracts.
- (d) Explain one drawback to a business of poor staff retention.
- (e) Discuss the importance to a business of differentiating a product/service.

(Total 10 marks)

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Section B

Answer all questions in this section.
In the Source Booklet, read Item A before answering Questions 4–6.

4. (a) Outline one document that The Chippy may use when recruiting new employees.
(b) Analyse the impact on The Chippy of using external recruitment to appoint new employees.
5. (a) Identify the month that The Chippy generated the lowest sales revenue.
(b) Identify the sales revenue that The Chippy generates in January.
(c) Calculate the gross profit for the year if the cost of sales is £250,000.
(d) The Chippy was created when two rival takeaway businesses merged. Analyse the impact on Marcus's business of growing via merger.
6. (a) State one reason why motivation is important in the workplace.
(b) Outline one possible benefit to a business, such as The Chippy of carrying out employee reviews on its employees.
(c) The Chippy is considering two options to improve staff motivation after the merger.
• Option 1: Financial methods of motivation which will involve all employees if monthly sales revenue exceeds £30,000 per month
• Option 2: Non-financial methods of motivation which will involve staff in each shop

Justify which one of these options The Chippy should choose.

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Section C

Answer all questions in this section.
In the Source Booklet, read Item B before answering Questions 7–10.

7. (a) Define the term 'organic growth'.
- (b) Identify the country with the highest number of Discount Unlimited shops.
- (c) Outline one reason why television advertising has supported the growth of Discount Unlimited.
- (d) To improve its competitive advantage, Discount Unlimited is considering two options:
- Option 1: Increase the number of product lines offered
 - Option 2: Introduce online shopping whereby customers' orders are delivered to their homes.
- Justify which one of these options Discount Unlimited should choose.
- (e) Evaluate whether Discount Unlimited should continue with its strategy of advertising on television and continuing to operate as a private limited company. You should use the information provided as well as your knowledge of business.

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Preview of Questions Ends Here

This is a limited inspection copy. Sample of questions ends here to avoid students previewing questions before they are set. See contents page for details of the rest of the resource.

Mark Scheme: Paper 2D

Section A

Question 1

Total for this section: 8 marks

Question number	Answer	
1(a)	B	AO1a – 1 mark
1(b)	A	AO1a – 1 mark

1. (c) Explain one advantage to a business of employing part-time employees

Marks for this question: AO1a = 1 / AO1b = 2

1 mark for one valid advantage identified

Up to 2 marks for developing the answer explaining the advantage

Possible answers include:

- Part-time staff may offer skills/experience that other employees do not
- It enables individuals to work for the organisation around other commitments
- Part-time staff can be employed during the business's busiest periods
- The organisation does not incur the expense of employing staff at all times, e.g. at quieter times

Example of a developed response:

More efficient deployment of employees (1) as part-time employees can be employed during the busiest periods of a day or week only (1) which may improve customer service (1).

1. (d) Explain one advantage to a business of moving from batch to flow production

Marks for this question: AO1a = 1 / AO1b = 2

1 mark for knowledge of one advantage of moving from batch to flow production

Up to 2 marks for developing the answer explaining the advantage of moving to flow production

Possible answers include:

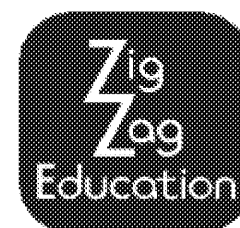
- Greater efficiency as do not need to switch between production runs
- High number of items may be produced at a relatively low cost
- Economies of scale
- May speed up production schedules

Example of a developed response:

Flow production will be more efficient (1) as time is not wasted switching between setting up / taking down machines (1). This should result in lower costs (1) for the business's owners (1).

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Question 2

Total for this section: 12 marks

Question number	Answer	
2(a)	A and C	AO1a – 2 marks
2(b)	B and D	AO1a – 2 marks

2. (c) Stanley is considering an investment for his company. The investment has been calculated that the ARR will be 15.8%. What is the average annual return? Show all workings. Give your answer to the nearest whole pound.

Marks for this question: AO1a = 1

1 mark for rearranging the ARR formula

1 mark for substituting the correct figures into the formula

1 mark for the correct answer with a £ sign and expressed to the nearest whole pound

$$\begin{aligned} \text{ARR} &= \text{Average annual return} \div \text{Initial cost of investment} \times 100 \\ \text{Average annual return} &= \text{Initial cost of investment} \times \text{ARR} \quad (1) \\ &= £750,000 \times 0.158 \quad (1) \\ &= £118,500 \quad (1) \end{aligned}$$

2. (d) Outline one barrier to effective communication in a business.

Marks for this question: AO1a = 1 / AO1b = 1

1 mark for one valid barrier identified

1 marks for developing the answer explaining the barrier

Possible answers include:

- Language
- Jargon
- Differences in perception and/or beliefs
- Physical issues, e.g. background noise, technological issues, disabilities
- Cultural differences

Example of a developed response:

Physical issues may act as a barrier to effective communication (1), e.g. a message from being heard clearly by those present and, therefore, they are not understood correctly (1).

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2. (e) Explain one disadvantage to a business of e-commerce.

Marks for this question: AO1a = 1 / AO1b = 2

1 mark for one valid disadvantage identified

Up to 2 marks for developing the answer explaining the disadvantage

Possible answers include:

- Not all customers will have the required equipment/skills to use e-commerce
- Initial cost of setting up e-commerce system
- Employees may be resistant to using the system
- Issues with fraud/security
- Technical issues, e.g. website may be down

Example of a developed response:

The e-commerce system may be expensive to set up (1). Additional financial costs may be costly and reduce profits (1). The additional costs of the e-commerce system may not swiftly cover the cost of setting it up (1).

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Question 3

Total for this section: 15 marks

Question number	Answer	
3(a)	B	AO1a – 1 mark

3. (b) Elsie receives £8 per hour and a commission of 10% of sales. Last week £600 worth of goods. Calculate how much she received last week.

Marks for this question: AO2 = 2

AO2 – Applies the correct calculations × 2

Commission = $10\% \times £600 = £60$ (1) Commission earned (1)

Wages = £8 per hour × 29.5 hours = £236 (1)

Total payment received = £60 + £236 = £296 (1) (OFR)

3. (c) Explain one benefit of the use of freelance contracts by a business.

Marks for this question: AO1a = 1 / AO1b = 2

1 mark for one valid benefit identified

Up to 2 marks for developing the answer explaining the benefit

Possible answers include:

- Specialist skills may only be required by the business for a very short time
- Can benefit from experiences that the freelancer has gained from other businesses/organisations
- Freelancers are paid only for the work that they perform and do not receive other benefits
- As they are specialists in their area, they may complete tasks more quickly
- Other employees may learn skills from them

Example of a developed response:

A freelancer may have specialist skills (1) which the business only requires for a short time, such as for a specific project. Therefore, it is more cost-effective to hire a freelancer for a short time, for the specific period (1). Also, as they are a specialist they will complete the task more quickly than a non-specialist (1).

3. (d) Explain one drawback to a business of internal (organic) growth.

Marks for this question: AO1a = 1 / AO1b = 2

1 mark for stating a drawback of internal (organic) growth

Up to 2 marks for developing the answer explaining a drawback to a business of internal growth

Possible answers include:

- Slower method of growth
- May be hard to achieve if the market overall is not growing rapidly

Example of a developed response:

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Internal (organic) growth may be slower than other growth methods (1)
business not being able to take advantage of market opportunities as owners might miss out on benefiting from increased profits quickly (1).

3. (e) Discuss the importance to a business of maintaining a positive relationship with its suppliers.

Marks for this question: AO1b = 3 / AO3a = 3

1 mark for knowledge of a benefit of maintaining a positive relationship
1 mark for developing the answer, explaining a benefit of maintaining a positive relationship with suppliers

Possible answers include:

- Suppliers will be more willing to do favours for the business
- Increased efficiency
- May benefit from more competitive prices / loyalty discounts
- Better customer service offered by supplier

Mark	Level	Outline
5–6	3	<ul style="list-style-type: none"> • Comprehensive/accurate understanding of business theory throughout the whole answer • Critiques/applies business data and/or concepts in a unified and comprehensive points with
3–4	2	<ul style="list-style-type: none"> • Business theory and concepts are generally used in a correct manner. The correct use of business knowledge is demonstrated through most of the answer • Critiques/applies business data and/or concepts in a correct manner, with some use of unified points and some discrepancies (AO3a)
1–2	1	<ul style="list-style-type: none"> • Limited understanding and knowledge of business theory in the answer (AO2) • There is an attempt to assess/apply business knowledge with elementary points stated (AO3a)
0	0	No answer worthy of any marks

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Section B

Total for this section: 30 marks

4. (a) Outline one impact on Jim's Gym plc of using loss leaders to increase its sales

Marks for this question: AO2 = 2

Possible answers include:

- Loss leaders can only be offered for a short period of time because they present
- Each membership sold will not cover the overheads that it costs to
- Loss leaders can be an effective way to boost member numbers as they afford to offer such a discount
- Customers attracted may leave after the price goes up to a sustainable level

Example of a developed response:

Jim is likely to attract a number of new people to join his gym (1); however, the price does not cover his operating costs so he will not be able to offer these prices for long.

4. (b) Analyse the impact on Jim's Gym plc of focusing on providing good customer service

Marks for this question: AO2 = 3 / AO3a = 3

Possible answers include:

- Customer service is important for all businesses. If a business provides good customer service, customers are likely to leave satisfied and then more likely to return and engage in positive reviews / word-of-mouth advertising, which will increase sales. The business will also foster a positive business reputation.
- Will help motivate staff as they feel that they are providing a good service.
- Staff may need to be retrained.
- Staff with a specific mindset will need to be recruited to support the idea of good customer service.
- Customer service is a way that the gym can differentiate itself from other fitness services.

Mark	Level	Outline
5–6	3	<ul style="list-style-type: none"> • Comprehensive, accurate understanding of business theory and concepts about the whole answer (AO2) • Critiques/applies business data and/or concepts in a unified and comprehensive manner with some discrepancies (AO3a)
3–4	2	<ul style="list-style-type: none"> • Business theory and concepts are generally used in a correct manner. The correct use of business knowledge is demonstrated through most of the answer (AO2) • Critiques/applies business data and/or concepts in a correct manner, with some use of unified points and some discrepancies (AO3a)
1–2	1	<ul style="list-style-type: none"> • Limited understanding and knowledge of business theory and concepts about the answer (AO2) • There is an attempt to assess/apply business knowledge with elementary points stated (AO3a)
0	0	No answer worthy of any marks

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5. (a) Identify the market share (%) held by Extreme Fitness in 2017.

Marks for this question: AO2 = 1

Answer:

- 33%

5. (b) Identify which business had the largest increase in its percentage market share.

Marks for this question: AO2 = 1

Answer:

- ABC Gym

5. (c) Calculate the percentage change in market share by Fitness Fanatics over the period 2016–2017. You are advised to show your workings.

Marks for this question: AO2 = 2

1 mark for using the correct calculation

1 mark for the correct numerical answer

OR

2 marks for the correct answer without any calculations/workings

Answer:

- Decrease of 3% (25 – 22)

5. (d) Jim's Gym plc managers often use financial information to help them make business decisions. Analyse the impact on Jim's Gym of using financial information to make business decisions.

Marks for this question: AO2 = 3 / AO3a = 3

Possible answers may include:

- Profit is the main objective for a plc, so making decisions based on financial information may lead to short-term decisions.
- Easy to measure / quantifiable
- Can lead to decisions being made in an objective manner
- Financial information is historical, so decisions may not consider future trends.
- Financial information is often used to make business decisions often involve a range of factors other than financial information, such as resources, customer service. Basing decisions purely on financial information may lead to poor decisions.

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Mark	Level	Outline
5–6	3	<ul style="list-style-type: none"> Comprehensive/accurate understanding of theory throughout the whole answer (AO1) Critiques/applies business data and/or concepts in a unified and comprehensive points with evidence (AO2)
3–4	2	<ul style="list-style-type: none"> Business theory and concepts are generalised in a manner. The correct use of business knowledge is demonstrated through most of the answer (AO1) Critiques/applies business data and/or concepts in a manner, with some use of unified points and evidence (AO2)
1–2	1	<ul style="list-style-type: none"> Limited understanding and knowledge of theory throughout the answer (AO1) There is an attempt to assess/apply business data and/or concepts with elementary points stated (AO2a)
0	0	No answer worthy of any marks

6. (a) State one external source of finance for a growing business.

Marks for this question: AO2 = 1

Possible answers may include:

- Share issue
- Loan
- Grant
- Business angel
- Venture capital

6. (b) Outline one possible benefit to Jim's Gym plc from using retained profits for investment strategies.

Marks for this question: AO2 = 2

Possible answers may include:

- No interest to pay
- No fees to pay
- As it is internal, it will not be refused by an external stakeholder
- No application process

Example of a developed response:

Jim's Gym will not have to pay interest/fees on this source of finance (1), which means more money can be used for future expansion / increased profitability (1).

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6. (c) Jim is considering two options to structure the business to increase productivity.
- Option 1: a centralised organisational structure
- Option 2: a decentralised organisational structure

Justify which one of these options Jim should choose.

Marks for this question: AO2 = 3 / AO3a = 3 / AO3b = 3

- In a centralised structure, business decisions are made by management i.e. often head office
- In a decentralised structure, business decisions are made by management at local branches/offices

Centralised

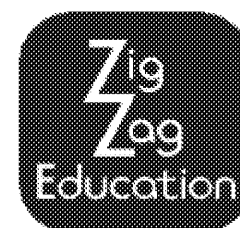
- Easier to implement standardised processes/decisions throughout the organisation
- Managers at the centre are often specialised in a particular function, leading to more successful decision-making
- Easier to control and coordinate from the centre
- Economies of scale as roles are less likely to be duplicated

Decentralised

- Decision-making may be slower as local employees have to pass the decision to the manager
- Local employees/managers will understand customer needs in their area better
- May be some diseconomies of scale as some roles may be duplicated
- The local manager/employee is less likely to be an expert in all areas

Mark	Level	Outline
7–9	3	<ul style="list-style-type: none"> • Comprehensive/accurate understanding of business theory applied well to the context throughout the answer • Critiques/applies business data and/or information in a unified and comprehensive points with clear explanations • A clear decision is made, which is clearly supported by a clear appraisal of all of the issues / business information relating to the decision proposed (AO3b)
4–6	2	<ul style="list-style-type: none"> • Business theory and concepts are generally used in a clear manner. The correct use of business knowledge is demonstrated and applied through most of the answer • Critiques/applies business data and/or information in a clear manner with some use of unified points and clear explanations (AO3a) • A decision is made which is supported by some points. The decision is supported by some business information relating to the decision proposed
1–3	1	<ul style="list-style-type: none"> • Limited understanding and application of business theory in context throughout the answer (AO2) • There is an attempt to assess/apply business theory with elementary points stated (AO3a) • A decision is made, with a simple explanation supported by limited points. An attempt to appraise business information relating to the decision proposed
0	0	No answer worthy of any marks

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Section C

Total for this section: 25 marks

7. (a) Define the term 'import'.

Marks for this question: AO2 = 1

Possible answers include:

- It is where a product/service is brought into a country from another

7. (b) Using the chart, identify the country with the highest proportion of the Shoes' target age group.

Marks for this question: AO2 = 1

Answer:

- Zimbabwe, with 22.16% of the population aged 15–24 years.

7. (c) Outline one reason why Shiny Shoes may need to change parts of its marketing internationally.

Marks for this question: AO2 = 2

Possible answers include:

- Different customer needs/wants overseas
- Different levels of customer income
- Customers may react differently from British customers to the promotional message/marketing

Example of a developed response:

Customers in the overseas market may be offended by the promotional message because of cultural differences (1). The company may, therefore, need to change its message/media in order to be effective (1).

7. (d) Shiny Shoes needs to decide how it will distribute its products to customers in overseas markets. It has two options:
Option 1: Open high street shops in major cities
Option 2: Operate an e-commerce website only in these countries (e-commerce)

Justify which one of these options Shiny Shoes should choose.

Marks for this question: AO2 = 3 / AO3a = 3 / AO3b = 3

High street shops:

- Customers can try on the shoes to check that they fit
- Customers can inspect the shoes before they purchase them to ensure they are of appropriate quality
- The shop front may support the promotion of the business

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E-tailer:

- No overheads that are associated with operating a shop, e.g. rent and work in the shop
- May take longer to penetrate the market as there is no physical presence

Mark	Level	Outline
7–9	3	<ul style="list-style-type: none"> • Comprehensive/accurate understanding and application of business theory applied well to the context throughout the answer • Critiques/applies business data and/or company information in a comprehensive manner, with effective judgement • A clear decision is made, which is clearly explained and supported by appraisal of all relevant issues / business information relating to the decision proposed (AO3b)
4–6	2	<ul style="list-style-type: none"> • Business theory and concepts are generally understood and applied in a reasonable manner. The correct use of business knowledge is demonstrated and applied through most of the answer • Critiques/applies business data and/or company information in a reasonable manner, with some use of unified points, and some identification of discrepancies (AO3a) • A decision is made which is supported by a reasonable number of points. The decision is supported by business information relating to the decision proposed (AO3b)
1–3	1	<ul style="list-style-type: none"> • Limited understanding and application of business theory and concepts throughout the answer (AO2) • There is an attempt to assess/apply business knowledge using elementary points stated (AO3a) • A decision is made, with a simple explanation and some supporting points. An attempt to appraise some of the issues relating to the decision proposed is made
0	0	No answer worthy of any marks

7. (e) Evaluate whether Shiny Shoes should remain operating as a private limited company using the information provided as well as your knowledge of business.

Marks for this question: AO1b = 3 / AO2 = 3 / AO3a = 3 / AO3b = 3

Stakeholders to consider (AO1b):

- Customers
- Employees/managers
- Owners
- Local community
- Suppliers

Points in favour of remaining a private limited company:

- No risk of takeover
- Owners maintain more control
- Possibly fewer owners to share profits between
- Not listed on stock market / less information available for the public
- Cost and time to convert to a public limited company

Points in favour of converting to a public limited company:

- More capital-raising opportunities
- May acquire a more positive reputation with the public as may be seen from the Shiny Shoes website

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Mark	Level	Outline
9–12	3	<ul style="list-style-type: none"> • Comprehensive/accurate understanding and knowledge of business throughout the whole answer (AO1b) • Business theory/knowledge/information is outlined in the question (AO2) • Critiques/applies business data and/or concepts in a comprehensive manner with effective justification (AO3a) • A clear decision is made, which is clearly explained and supported by an appraisal of all of the issues / business information relating to the decision proposed (AO3b)
5–8	2	<ul style="list-style-type: none"> • Knowledge and understanding of business theory and concepts is demonstrated throughout the answer (AO1b) • Business theory and concepts are generally correctly used and applied through most of the answer (AO2) • Critiques/applies business data and/or concepts in a comprehensive manner, with some use of unified points, although some discrepancies (AO3a) • A decision is made which is supported by an appraisal of some points. The decision is supported by some business information relating to the decision proposed (AO3b)
1–4	1	<ul style="list-style-type: none"> • Limited understanding and knowledge of business theory and concepts is demonstrated throughout the answer (AO1b) • There is an attempt to assess/apply business theory and concepts (AO2) • There is an attempt to review and deconstruct interrelated points. Most information is presented in a comprehensive manner (AO3a). • A decision is made, with a simple explanation of the points. An attempt to appraise some of the issues relating to the decision proposed is made (AO3b)
0	0	No answer worthy of any marks

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