

## Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

### GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

### GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

### GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

### GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

### GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

### GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

## Subject Specific Marking Principles for point-based marking

### 1. Using point-based marking:

Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

- DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning, unless the mark scheme requires a specific term.
- DO credit alternative answers/examples which are not in the mark scheme if they are correct.
- DO credit answers where candidates give more than one correct answer where extended writing is required rather than short/list-type answers.
- DO NOT credit answers simply for using a key term unless that is all that is required. (Check for evidence it is clearly understood and used correctly.)
- DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities. For questions that require *n* reasons, e.g. State two reasons..., mark only the first two answers given, not any two that are correct out of a longer list.
- DO NOT give further credit for what is effectively repetition of a correct point already credited or to 'mirror' statements. For example, a response that includes: 'A business owner would benefit from limited liability as it would protect their personal possessions.' and 'If a business owner did not have limited liability they could lose everything.', cannot both be rewarded in answer to one question.
- DO NOT require spellings to be correct, it is not part of the test. However, spellings of business terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused, e.g. offshore/outsource or effective/efficient.

### 1. Presentation of mark scheme:

- Questions are in bold text.
- Possible responses are in normal text in a bulleted list.
- Marks are rewarded based on the table provided for each question.
- Possible responses are listed under the appropriate Assessment Objective.
- Slashes (/) separate alternative ways of making the same point.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark.

### 2. Annotation:

- Every response must have a minimum of one annotation.
- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers.
- For questions where only AO1 and AO2 are rewarded, there is a direct relationship between ticks and marks.
- For levels of response marking, the first time level 1 is achieved, L1 is annotated on the response. If/when level 2 is achieved, L2 should be used, etc.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who mark that paper.

## Guidance on using levels-based mark schemes

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The examiner should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:

- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range.
- If the candidate's work **just** meets the level statement, award the lowest mark.
- L1, L2 etc. must be clearly annotated on the response at the point where the level is achieved.

## Assessment objectives

### AO1 Knowledge and understanding

Demonstrate knowledge and understanding of business concepts, terms and theories.

### AO2 Application

Apply knowledge and understanding of business concepts, terms and theories to problems and issues in a variety of familiar and unfamiliar business situations and contexts.

### AO3 Analysis

Analyse business problems, issues and situations by:

- using appropriate methods and techniques to make sense of qualitative and quantitative business information
- searching for causes, impact and consequences
- distinguishing between factual evidence and opinion or value judgement
- drawing valid inferences and making valid generalisations.

### AO4 Evaluation

Evaluate evidence in order to make reasoned judgements, present substantiated conclusions and, where appropriate, make recommendations for action and implementation.

Question	Answer	Marks								
1(a)	<p><b>Define the term <i>opportunity cost</i></b></p> <table border="1" data-bbox="320 384 1547 515"> <thead> <tr> <th data-bbox="320 384 1429 416">AO1 Knowledge and understanding</th> <th data-bbox="1429 384 1547 416">Marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 416 1429 448">Knowledge of the term that demonstrates a clear understanding of the term.</td> <td data-bbox="1429 416 1547 448">2</td> </tr> <tr> <td data-bbox="320 448 1429 480">Knowledge of the term that demonstrates a partial understanding of the term.</td> <td data-bbox="1429 448 1547 480">1</td> </tr> <tr> <td data-bbox="320 480 1429 515">No creditable response.</td> <td data-bbox="1429 480 1547 515">0</td> </tr> </tbody> </table> <p><b>Indicative content</b></p> <p>Responses may include:</p> <p><b>AO1 Knowledge and understanding</b></p> <ul data-bbox="320 703 1458 762" style="list-style-type: none"> <li>• The potential benefits lost when choosing one alternative over another.</li> <li>• The loss or the benefit that could have been enjoyed if the alternative choice had been taken.</li> </ul> <p>Accept all valid responses.</p>	AO1 Knowledge and understanding	Marks	Knowledge of the term that demonstrates a clear understanding of the term.	2	Knowledge of the term that demonstrates a partial understanding of the term.	1	No creditable response.	0	<b>2</b>
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No creditable response.	0									
1(b)	<p><b>Explain <u>one</u> quality an entrepreneur needs for business success</b></p> <table border="1" data-bbox="320 906 1854 1219"> <thead> <tr> <th data-bbox="320 906 1093 970">AO1 Knowledge and understanding 1 mark</th> <th data-bbox="1093 906 1854 970">AO2 Application 2 marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 970 1093 1059"></td> <td data-bbox="1093 970 1854 1059"><b>2 marks</b> Developed application of <b>one</b> relevant point to a business context.</td> </tr> <tr> <td data-bbox="320 1059 1093 1155"><b>1 mark</b> Knowledge of <b>one</b> relevant point is used to answer the question.</td> <td data-bbox="1093 1059 1854 1155"><b>1 mark</b> Limited application of <b>one</b> relevant point to a business context.</td> </tr> <tr> <td data-bbox="320 1155 1093 1219"><b>0 marks</b> No creditable response.</td> <td data-bbox="1093 1155 1854 1219"><b>0 marks</b> No creditable response.</td> </tr> </tbody> </table> <p><b>Indicative content</b></p> <p>Responses may include:</p> <p><b>AO1 Knowledge and understanding</b></p> <ul data-bbox="320 1410 1328 1439" style="list-style-type: none"> <li>• An entrepreneur creates a new business – takes the risks and enjoys the rewards.</li> </ul>	AO1 Knowledge and understanding 1 mark	AO2 Application 2 marks		<b>2 marks</b> Developed application of <b>one</b> relevant point to a business context.	<b>1 mark</b> Knowledge of <b>one</b> relevant point is used to answer the question.	<b>1 mark</b> Limited application of <b>one</b> relevant point to a business context.	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	
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	<ul style="list-style-type: none"> <li>• Business success – operating a profitable business with honesty and integrity, making meaningful contributions to society – survival in the short term.</li> <li>• Entrepreneurial qualities include creativity, innovation, commitment, self- motivation and persistence, multi-skilling, self-confidence, good leadership/management ability to bounce back, and risk-taker.</li> </ul> <p><b>AO2 Application</b></p> <ul style="list-style-type: none"> <li>• Creativity – takes new ideas and converts into profitable projects</li> <li>• Innovation – identifies new ideas/products to attract customers</li> <li>• Commitment-works hard to set up and run a new business</li> <li>• Self-motivated-energy and focus to persist with new projects</li> <li>• Multi-skilled-ability to engage with different business tasks-produce/promote/sell/keep financial control</li> <li>• Self-confidence and ability to bounce back-willing to start again if failure occurs</li> <li>• Lead and manage-provide visionary leadership and motivating management for followers</li> <li>• Risk taker-take risks in order to get results-uses own money to get results</li> <li>• How these qualities are applied in a business context - at start up, in dealing with cash flow problems, in planning to grow a business.</li> </ul> <p>Accept all valid responses.</p>	<b>3</b>								
2(a)	<p><b>Define the term <i>product life cycle</i></b></p> <table border="1" data-bbox="320 1002 1547 1131"> <thead> <tr> <th colspan="2" style="text-align: center;"><b>AO1 Knowledge and understanding</b></th> </tr> </thead> <tbody> <tr> <td>Knowledge of the term that demonstrates a clear understanding of the term.</td> <td style="text-align: center;"><b>2</b></td> </tr> <tr> <td>Knowledge of the term that demonstrates a partial understanding of the term.</td> <td style="text-align: center;"><b>1</b></td> </tr> <tr> <td>No creditable response.</td> <td style="text-align: center;"><b>0</b></td> </tr> </tbody> </table> <p><b>Indicative content</b> Responses may include:</p> <p><b>AO1 Knowledge and understanding</b></p> <ul style="list-style-type: none"> <li>• The stages a product goes through from its initial design to when it is removed from the market</li> <li>• The stages in marketing include: research and development – introduction and launch – growth – maturity – sales high but rate of growth slowing, possible saturation – decline – final stage as sales fall.</li> </ul> <p>Accept all valid responses.</p>	<b>AO1 Knowledge and understanding</b>		Knowledge of the term that demonstrates a clear understanding of the term.	<b>2</b>	Knowledge of the term that demonstrates a partial understanding of the term.	<b>1</b>	No creditable response.	<b>0</b>	<b>2</b>
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Question	Answer	Marks								
2(b)	<p><b>Explain <u>one</u> way a business could extend the life of a product.</b></p> <table border="1" data-bbox="320 347 1854 663"> <thead> <tr> <th data-bbox="320 347 1093 411">AO1 Knowledge and understanding 1 mark</th> <th data-bbox="1093 347 1854 411">AO2 Application 2 marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 411 1093 507"></td> <td data-bbox="1093 411 1854 507"> <b>2 marks</b>            Developed application of <b>one</b> relevant point to a business context.         </td> </tr> <tr> <td data-bbox="320 507 1093 603"> <b>1 mark</b>            Knowledge of <b>one</b> relevant point is used to answer the question.         </td> <td data-bbox="1093 507 1854 603"> <b>1 mark</b>            Limited application of <b>one</b> relevant point to a business context.         </td> </tr> <tr> <td data-bbox="320 603 1093 663"> <b>0 marks</b>            No creditable response.         </td> <td data-bbox="1093 603 1854 663"> <b>0 marks</b>            No creditable response.         </td> </tr> </tbody> </table> <p><b>Indicative content</b></p> <p>Responses may include:</p> <p><b>AO1 Knowledge and understanding</b></p> <ul style="list-style-type: none"> <li>• The possibility of extending the life of a product at the end of the product life cycle</li> <li>• Extension strategies could include changing: the product, product price, product promotion, product place, product packaging, product use.</li> </ul> <p><b>AO2 Application</b></p> <p>The life of a product could be extended through the following business contexts:</p> <ul style="list-style-type: none"> <li>• Product - release new and improved versions of the product</li> <li>• Price - lower product price to gain more sales</li> <li>• Promotion - different advertising or sales techniques – new image</li> <li>• Place - sell products in different areas or countries</li> <li>• Packaging - give appearance of a new improved product</li> </ul> <p>Accept all valid responses.</p>	AO1 Knowledge and understanding 1 mark	AO2 Application 2 marks		<b>2 marks</b> Developed application of <b>one</b> relevant point to a business context.	<b>1 mark</b> Knowledge of <b>one</b> relevant point is used to answer the question.	<b>1 mark</b> Limited application of <b>one</b> relevant point to a business context.	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	<b>3</b>
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3(b)	<p><b>Explain <u>one</u> benefit to a business of training its employees.</b></p> <table border="1" data-bbox="320 347 1852 663"> <thead> <tr> <th data-bbox="320 347 1090 411">AO1 Knowledge and understanding 1 mark</th> <th data-bbox="1090 347 1852 411">AO2 Application 2 marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="320 411 1090 507"></td> <td data-bbox="1090 411 1852 507"><b>2 marks</b> Developed application of <b>one</b> relevant point to a business context.</td> </tr> <tr> <td data-bbox="320 507 1090 603"><b>1 mark</b> Knowledge of <b>one</b> relevant point is used to answer the question.</td> <td data-bbox="1090 507 1852 603"><b>1 mark</b> Limited application of <b>one</b> relevant point to a business context.</td> </tr> <tr> <td data-bbox="320 603 1090 663"><b>0 marks</b> No creditable response.</td> <td data-bbox="1090 603 1852 663"><b>0 marks</b> No creditable response.</td> </tr> </tbody> </table> <p><b>Indicative content</b></p> <p>Responses may include:</p> <p><b>AO1 Knowledge and understanding</b></p> <ul style="list-style-type: none"> <li>• Work related education that provides employees with specific knowledge/skills to improve job performance in current and/or future roles</li> <li>• Training is designed to increase productivity, increase employee flexibility, improve staff morale, reduce staff turnover and absenteeism, reduce product faults/improve quality, attract new recruits, give a business a competitive edge.</li> </ul> <p><b>AO2 Application</b></p> <ul style="list-style-type: none"> <li>• Retain the right talent – keep key production workers</li> <li>• Increase productivity and performance of employees – improves quality of work/reduction in waste and faults</li> <li>• Positively affects staff morale and motivation – using Herzberg theories</li> <li>• Reduces staff turnover and absenteeism-- improves working environment-employees better understand purpose and roles</li> <li>• Reduce waste, faults and customer complaints-a skilled workforce enhances quality production</li> <li>• Increases employee flexibility— facilitates change-job rotation</li> <li>• Helps attract top quality recruits--see training as an important asset.</li> <li>• Gives a competitive advantage--sets the business apart for its investment in training/gives it a competitive edge.</li> </ul> <p>Accept all valid responses.</p>	AO1 Knowledge and understanding 1 mark	AO2 Application 2 marks		<b>2 marks</b> Developed application of <b>one</b> relevant point to a business context.	<b>1 mark</b> Knowledge of <b>one</b> relevant point is used to answer the question.	<b>1 mark</b> Limited application of <b>one</b> relevant point to a business context.	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	<b>3</b>
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Question	Answer			Marks
4	<b>Analyse <u>one</u> way a business might raise productivity levels.</b>			
<b>Level</b>	<b>AO1 Knowledge and understanding 1 mark</b>	<b>AO2 Application 2 marks</b>	<b>AO3 Analysis 2 marks</b>	
<b>2</b>		<b>2 marks</b> Developed application of <b>one</b> relevant point to a business context.	<b>2 marks</b> Developed analysis that identifies connections between causes, impacts and/or consequences of <b>one</b> relevant point.	
<b>1</b>	<b>1 mark</b> Knowledge of <b>one</b> relevant point is used to answer the question.	<b>1 mark</b> Limited application of <b>one</b> relevant point to a business context.	<b>1 mark</b> Limited analysis that identifies connections between causes, impacts and/or consequences of <b>one</b> relevant point.	
<b>0</b>	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	
<b>Indicative content</b>				
Responses may include:				
<b>AO1 Knowledge and understanding</b>				
<ul style="list-style-type: none"> <li>• Productivity - ratio of outputs to inputs during production / the output per worker in a time period.</li> <li>• Ways to improve productivity include: training, higher wages, improved equipment, improved management/leadership</li> </ul>				
<b>AO2 Application</b>				
<ul style="list-style-type: none"> <li>• Training – provides new/enhanced skills for workforce</li> <li>• Higher wages-provide incentives to employees to work harder</li> <li>• Equipment – provide new technology – such as robotics / automated production line</li> <li>• Management/leadership-focus on motivation and morale and welfare of employees</li> </ul>				
<b>AO3 Analysis</b>				
<ul style="list-style-type: none"> <li>• Workers with more training/skills- make less mistakes – may improve efficiency and productivity-employees more confident and interested in the work</li> <li>• Wage/salary increases-- may increase motivation and productivity-better balance between effort and reward</li> <li>• Increases/improvements in technology/capital equipment-- may increase output with possibly fewer employees.</li> <li>• Better management/leadership-- may lead to increased productivity.as employees have clearer understanding of purpose and roles and contribution, sense of belonging, needs satisfied</li> </ul>				
Accept all valid responses.				
				<b>5</b>

Question	Answer			Marks
5(a)	<b>Analyse <u>two</u> ways in which accurate cost information can be used to improve business performance.</b>			
<b>Level</b>	<b>AO1 Knowledge and understanding 2 marks</b>	<b>AO2 Application 2 marks</b>	<b>AO3 Analysis 4 marks</b>	
<b>2</b>			<b>3–4 marks Developed analysis</b> <ul style="list-style-type: none"> <li>• Developed analysis that identifies connections between causes, impacts and/or consequences of <b>two</b> points.</li> <li>• Developed analysis that identifies connections between causes, impacts and/or consequences of <b>one</b> point.</li> </ul>	
<b>1</b>	<b>1–2 marks</b> <ul style="list-style-type: none"> <li>• Knowledge of <b>two</b> relevant points is used to answer the question.</li> <li>• Knowledge of <b>one</b> relevant point is used to answer the question.</li> </ul>	<b>1–2 marks</b> <ul style="list-style-type: none"> <li>• Application of <b>two</b> relevant points to a business context.</li> <li>• Application of <b>one</b> relevant point to a business context.</li> </ul>	<b>1–2 marks Limited analysis</b> <ul style="list-style-type: none"> <li>• Limited analysis that identifies connections between causes, impacts and/or consequences of <b>two</b> points.</li> <li>• Limited analysis that identifies connections between causes, impacts and/or consequences of <b>one</b> point.</li> </ul>	
<b>0</b>	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	
<p><b>Indicative content</b></p> <p>Responses may include:</p> <p><b>AO1 Knowledge and understanding</b></p> <ul style="list-style-type: none"> <li>• Costs- collection and recording of accurate cost information in business financial documents relating to specific costs such as employee, supplier, equipment/building, and capital/loans costs.</li> <li>• Business performance means measuring the success using different measures such as profits, sales, return on capital, cost control relative to competitors, retained staff, customer satisfaction.</li> </ul>				

Question	Answer	Marks
	<p><b>AO2 Application</b></p> <ul style="list-style-type: none"> <li>• Cost information-- can indicate if employer, supplier, capital, equipment costs are out of control-- and suggest reasons for action to change/ improve</li> <li>• Cost information-- can reveal the business cost position in relation to competitors and reasons for improving that relative position</li> <li>• Cost information-- can show if budgeted costs are in line with estimates—and suggest remedial action is required</li> <li>• Cost information-- can reveal the degree of cost control in the business- its contribution to business performance and if cost controls need changing/ strengthening</li> <li>• Business performance measures include measures such as profitability, level of costs in relation to competitors</li> </ul> <p><b>AO3 Analysis</b></p> <ul style="list-style-type: none"> <li>• Accurate cost information-- can indicate the need for a business wide cost reduction strategy-- can be developed, based on accurate information</li> <li>• Accurate cost information-- can be used to identify significant areas of concern-- employee costs too high/too low in comparison with competitors-changes need to be made to improve the position</li> <li>• Accurate cost information---- signals to the business that certain costs appear to be out of control-supplies-the need for cheaper supplies if business performance is not to be seriously affected-profit levels could further decline.</li> <li>• Accurate cost information-- will show the real cost of new product development/investment in new equipment---the potential impact on profits and financial stability</li> <li>• Accurate cost information-- will reveal the most and least profitable areas of the business — this information gives a basis for business improvement areas and initiatives</li> <li>• Accurate cost information-- will reveal an accurate valuation of assets on the statement of financial position—eg the cost position of inventory might signal a need for change-move to JIT</li> <li>• Business performance requires optimal choices in business decision making-- these alternatives depend heavily on accurate cost information</li> <li>• Developing and maintaining a competitive edge requires regular monitoring of financial performance -- cost data is fundamental to many financial metrics that need tracking – eg, profit margins</li> </ul> <p>Accept all valid responses.</p>	8

Question	Answer				Marks
5(b)	<b>Evaluate whether cash flow forecasting is the most important activity for a new restaurant to succeed.</b>				
	<b>Level</b>	<b>AO1 Knowledge and understanding 2 marks</b>	<b>AO2 Application 2 marks</b>	<b>AO3 Analysis 2 marks</b>	<b>AO4 Evaluation 6 marks</b>
	<b>3</b>				<b>5–6 marks</b> <b>Developed evaluation in context</b> <ul style="list-style-type: none"> <li>• A developed judgement/conclusion is made in the business context.</li> <li>• Developed evaluative comments which balance some key arguments in the business context.</li> </ul>
	<b>2</b>	<b>2 marks</b> <b>Developed knowledge</b> of relevant key term(s) and/or factor(s) is used to answer the question.	<b>2 marks</b> <b>Developed application</b> of relevant point(s) to the business context.	<b>2 marks</b> <b>Developed analysis</b> that identifies connections between causes, impacts and/or consequences.	<b>3–4 marks</b> <b>Developed evaluation</b> <ul style="list-style-type: none"> <li>• A developed judgement/conclusion is made.</li> <li>• Developed evaluative comments which balance some key arguments.</li> </ul>
	<b>1</b>	<b>1 mark</b> <b>Limited knowledge</b> of relevant key term(s) and/or factor(s) is used to answer the question.	<b>1 mark</b> <b>Limited application</b> of relevant point(s) to the business context.	<b>1 mark</b> <b>Limited analysis</b> that identifies connections between causes, impacts and/or consequences.	<b>1–2 marks</b> <b>Limited evaluation</b> <ul style="list-style-type: none"> <li>• A judgement/conclusion is made with limited supporting comment/evidence.</li> <li>• An attempt is made to balance the arguments.</li> </ul>
	<b>0</b>	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.
<p><b>Indicative content</b></p> <p>Responses may include:</p> <p><b>AO1 Knowledge and understanding</b></p> <ul style="list-style-type: none"> <li>• Cash flow forecasting-the process of obtaining an estimate/forecast of a business's future cash position – anticipated payments and receivables in a given period of time</li> </ul>					

Question	Answer	Marks
	<ul style="list-style-type: none"> <li>• New restaurant-a new service providing business involving the production of food/meals, in appropriate premises, employing staff such as chefs, waiters, support staff.</li> <li>• Success may be measured in terms of quality of food, customer satisfaction, level of meals purchased, reputation established, health of financial position, level of profit, amount of time in business.</li> </ul> <p><b>AO2 Application</b></p> <ul style="list-style-type: none"> <li>• Control of cash-- important to a new restaurant business-- many new businesses fail due to a lack of control over cash</li> <li>• Cash flow forecasting-- as a vital part of cash control is important for a new restaurant--the ability to know the estimated cash position in the future-in relation to anticipated expenditure on food supplies and food preparation equipment and estimated sales performance</li> <li>• Cash flow forecasting-- indicates whether a new restaurant will have the resources at times in the future to remain liquid -- and survive as a viable business.</li> </ul> <p>CFF provides a degree of certainty- at a time when a new restaurant business faces many challenges.</p> <p><b>AO3 Analysis</b></p> <ul style="list-style-type: none"> <li>• A CFF can provide an early warning system for a business-- future shortfalls in cash balances -- allows a business to take informed business decisions, such as overdraft provision or short-term loan</li> <li>• If a business runs out of cash, it may face insolvency –A CFF can indicate the correct time to take action.</li> <li>• CFF enables a business to track expected cash movements over a period of time in the future—provides a degree of certainty in possible turbulent times—allows well planned decisions to be made</li> <li>• CFF is a strategic tool for a small business—gives information for development of plans for survival and growth</li> <li>• A cash flow forecast may be useful for external stakeholders-- such as banks, may want to look at CFF at regular intervals in order to support a business plan.</li> </ul> <p><b>AO4 Evaluation</b></p> <p><i>A judgement/conclusion is made as to the importance of cash flow forecasting for the success of a new restaurant. Such judgements/conclusions may be made at any point in the essay, not only in a concluding section.</i></p> <ul style="list-style-type: none"> <li>• A judgement is made as to whether activities other than CFF could/should be considered as important or more important in affecting a new restaurant's ability to succeed.</li> <li>• A judgement is made as to what is meant by success and when to take the measure</li> </ul>	<b>12</b>

Question	Answer			Marks
	<ul style="list-style-type: none"> <li>Alternative measures of success are judged to be – perception of the quality of the food/menu – desirability of location – reputation of chef – ambience created – strength/weakness of the economy – amount of discretionary/disposable income?</li> <li>A judgement is made regarding the significance of cash control and CFF for a new restaurant in relation to other factors.</li> </ul> <p>Accept all valid responses.</p>			
6(a)	<b>Analyse <u>two</u> reasons why changing a business' objectives might affect its shareholders.</b>			
<b>Level</b>	<b>AO1 Knowledge and understanding</b> <b>2 marks</b>	<b>AO2 Application</b> <b>2 marks</b>	<b>AO3 Analysis</b> <b>4 marks</b>	
<b>2</b>			<b>3–4 marks</b> <b>Developed analysis</b> <ul style="list-style-type: none"> <li>Developed analysis that identifies connections between causes, impacts and/or consequences of <b>two</b> points.</li> <li>Developed analysis that identifies connections between causes, impacts and/or consequences of <b>one</b> point.</li> </ul>	
<b>1</b>	<b>1–2 marks</b> <ul style="list-style-type: none"> <li>Knowledge of <b>two</b> relevant points is used to answer the question.</li> <li>Knowledge of <b>one</b> relevant point is used to answer the question.</li> </ul>	<b>1–2 marks</b> <ul style="list-style-type: none"> <li>Application of <b>two</b> relevant points to a business context.</li> <li>Application of <b>one</b> relevant point to a business context.</li> </ul>	<b>1–2 marks</b> <b>Limited analysis</b> <ul style="list-style-type: none"> <li>Limited analysis that identifies connections between causes, impacts and/or consequences of <b>two</b> points.</li> <li>Limited analysis that identifies connections between causes, impacts and/or consequences of <b>one</b> point.</li> </ul>	
<b>0</b>	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	
<p><b>Indicative content</b></p> <p>Responses may include:</p> <p><b>AO1 Knowledge and understanding</b></p> <ul style="list-style-type: none"> <li>Business objectives are what a business organisation wants to achieve over a specified period of time – determined by owners, directors, majority shareholders</li> </ul>				

Question	Answer	Marks
	<ul style="list-style-type: none"> <li>• Business objectives include-profit maximisation, survival, growth, increasing market share, maximising shareholder value, corporate social responsibility.</li> <li>• Shareholders are those who hold shares in a limited company. The prime objective of shareholders is normally to maximise their investments and secure a healthy dividend.</li> <li>• Business objectives change due to internal and external influences- for example, new competitors, decline in economy/market, reputation suffers, supplier changes, pressure of some particular stakeholders, employees-managers/directors. customers, community, government.</li> </ul> <p><b>AO2 Application</b></p> <ul style="list-style-type: none"> <li>• Business objectives can change gradually or abruptly and the reasons for change include</li> <li>• Competition-- may mean a business needs to review policies—such as pricing, and product portfolio</li> <li>• Economic recession-- may threaten current business/corporate plan and objectives</li> <li>• Employees-- might seek a new balance between wages/salaries and dividends</li> <li>• Managers/directors-- may seek to emphasise the long term and use resources to invest in major capital equipment</li> <li>• Customers and governments-- may press for more ethical activities</li> </ul> <p>These and other pressures may lead to changes in the objectives of a business and may affect shareholders.</p> <p><b>AO3 Analysis</b></p> <ul style="list-style-type: none"> <li>• Changes-- may not be agreed by shareholders if they are different to the shareholder's objectives-a new emphasis on price reductions to maintain market share in the face of competition may affect expected profits and dividends</li> <li>• Economic recession—may convince a business to increase amount of retained earnings and squeeze shareholder dividends</li> <li>• Employees and union pressure--in light of skill shortages--business may decide to increase wages/salaries at the expense of shareholders</li> <li>• Managers/directors--may decide to invest in long term assets-- and again reduce shareholder dividends</li> <li>• Corporate social responsibility—may be adopted as a business objective and seen by shareholders as being detrimental to profit making</li> <li>• Shareholders-- may have concerns about a movement away from economic and commercial objectives towards social or human objectives--- as undermining the very purpose of the business</li> </ul>	8

Question	Answer				Marks
	<ul style="list-style-type: none"> <li>Reforms to the supply chain—to implement more ethical approaches may similarly worry shareholders—too costly and should not be the objective of a commercial business</li> <li>Government and community pressure-- shareholders may see objective change towards more sustainable operations as having a negative impact on profits in the short term</li> <li>Mergers, acquisitions growth-- may reduce confidence of shareholders—a possible dilution of share power.</li> </ul> <p>Accept all valid responses.</p>				
6(b)	<b>'The main reason why many niche cake manufacturing businesses fail is that they grow too quickly'. Evaluate this view.</b>				
<b>Level</b>	<b>AO1 Knowledge and understanding</b> <b>2 marks</b>	<b>AO2 Application</b> <b>2 marks</b>	<b>AO3 Analysis</b> <b>2 marks</b>	<b>AO4 Evaluation</b> <b>6 marks</b>	
<b>3</b>				<b>5–6 marks</b> <b>Developed evaluation in context</b> <ul style="list-style-type: none"> <li>A developed judgement/conclusion is made in the business context.</li> <li>Developed evaluative comments which balance some key arguments in the business context.</li> </ul>	
<b>2</b>	<b>2 marks</b> <b>Developed knowledge</b> of relevant key term(s) and/or factor(s) is used to answer the question.	<b>2 marks</b> <b>Developed application</b> of relevant point(s) to the business context.	<b>2 marks</b> <b>Developed analysis</b> that identifies connections between causes, impacts and/or consequences.	<b>3–4 marks</b> <b>Developed evaluation</b> <ul style="list-style-type: none"> <li>A developed judgement/conclusion is made.</li> <li>Developed evaluative comments which balance some key arguments.</li> </ul>	
<b>1</b>	<b>1 mark</b> <b>Limited knowledge</b> of relevant key term(s) and/or factor(s) is used to answer the question.	<b>1 mark</b> <b>Limited application</b> of relevant point(s) to the business context.	<b>1 mark</b> <b>Limited analysis</b> that identifies connections between causes, impacts and/or consequences.	<b>1–2 marks</b> <b>Limited evaluation</b> <ul style="list-style-type: none"> <li>A judgement/conclusion is made with limited supporting comment/evidence.</li> <li>An attempt is made to balance the arguments.</li> </ul>	
<b>0</b>	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	<b>0 marks</b> No creditable response.	



Question	Answer	Marks
	<p><b>Indicative content</b></p> <p>Responses may include:</p> <p><b>AO1 Knowledge and understanding</b></p> <ul style="list-style-type: none"> <li>• business failure is due to a business model being unsustainable, aggressive competition, business goes out of fashion, poor management and leadership, product demand falls, business growth is too fast, cash control/cash flow problems</li> <li>• business growth is the point at which a business decides to expand and seeks additional/alternative ways to generate more profit, sales, market share. Business has survived now seeks to move to growth phase,</li> <li>• niche manufacturing seeks to satisfy specific market needs and build a strong production segment based on its unique product preferences</li> </ul> <p><b>AO2 Application</b></p> <ul style="list-style-type: none"> <li>• Niche cake manufacturing business –focus on a precision manufacturing to deliver customised products eg celebration cakes</li> <li>• Niche cake manufacturing businesses—may focus on fashionable products that have a very short life cycle</li> <li>• There may be very early substantial demand—business thinks and plans only short term</li> <li>• Management /leadership—may lack skills and experience as a business grows</li> <li>• Fast growth—is not supported with efficient management of cash</li> <li>• Inadequate market research-- product launched too early in the market</li> </ul> <p><b>AO3 Analysis</b></p> <p>It is suggested that 2/3rds of fast-growing start-up businesses end up failing.</p> <ul style="list-style-type: none"> <li>• Niche manufacturers that grow fast—vulnerable to demand changes—single /specialist product can suffer if fashions change.</li> <li>• Niche manufacturers that grow fast—may focus too much on the short term- too busy to think and plan long term</li> <li>• Managers/leaders—may lack skills and experience to manage and control growth--fast growth leads to significantly increased demands on managers and employees</li> <li>• Fast growth –can mean a niche business takes too many risks and loses focus on key functions such as cash control</li> <li>• Inadequate market research—a business might launch a new product before it is ready for market—no marketing expertise And might launch into a fragile or unfamiliar market</li> <li>• A fast- growing niche business-- might fail to account for and control overhead costs that increase disproportionately in relation to the growth of the business</li> </ul>	

Question	Answer	Marks
	<p><b>AO4 Evaluation</b>  <i>A judgement/conclusion is made as to the view that the main reason for new business failure is the pursuit of growth too quickly. Such judgements/conclusions may be made at any point in the essay, not just in a concluding section.</i></p> <ul style="list-style-type: none"> <li>• A judgement is made that there are a number recognisable risks associated with niche businesses</li> <li>• A judgement is made that these risks may be increased if such niche businesses are small and/ or new businesses</li> <li>• A judgement is made that a niche cake manufacturing businesses may well be single/few products and fashionable product business which may mean some particular reasons for failure—fashions change and some businesses are unable to respond.</li> <li>• A judgement is made that for many small/new businesses, too fast growth is one of the most important reasons for failure but is only one of a number of such reasons.</li> <li>• A judgement is made to that identifies and reviews the significance of these other possible reasons-some closely associated with fast growth, such as poor management, level of competition, poor decision-making, poor marketing and cash control, lack of innovation/creativity. poor business models and business planning.,</li> </ul> <p>Accept all valid responses.</p>	<b>12</b>