



National
Qualifications
SPECIMEN ONLY

S810/75/11

Business Management

Date — Not applicable

Duration — 2 hours

Total marks — 90

SECTION 1 — 40 marks

Attempt BOTH questions.

SECTION 2 — 50 marks

Attempt ALL questions.

Write your answers clearly in the answer booklet provided. In the answer booklet you must clearly identify the question number you are attempting.

Use **blue** or **black** ink.

You may use a calculator.

Before leaving the examination room you must give your answer booklet to the Invigilator; if you do not, you may lose all the marks for this paper.



* S 8 1 0 7 5 1 1 *

SECTION 1 — 40 marks
Attempt BOTH questions

Background

Cuddybridge is a small producer of apple juice based in the Scottish Borders. The company began by producing cider in 2007 but soon realised that there was too much competition in the market from large brands and decided it was more profitable to produce apple juice.



Production

All the apples are hand pressed and no artificial flavourings, colourings or E-numbers are added. Cuddybridge tries to press the apples as soon as they are received, so that customers get the freshest juice possible.

The company uses more than 15,000 kilograms of apples per week, 365 days of the year, so relying on Scottish apples alone is not an option. Cuddybridge is aware that importing apples increases its carbon footprint. In order to be environmentally friendly it sends all its waste squashed apples to become animal feed for two types of rare breed pigs.

Cuddybridge's client list continues to increase and it now sells to cafes, delis and restaurants around the Borders. It has also recently started to supply top-named restaurants in Edinburgh as well as the famous department store Harvey Nichols. It has won many awards including Scotland Food and Drink Excellence Awards.

The top three product trends with fast paced growth:



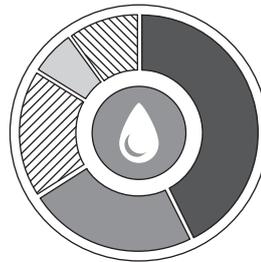
Vegetable Nutrition - New products with vegetables as an ingredient have seen 43% growth rate between 2012 and 2015



All Natural - 67% of consumers rated "all natural" as the most interesting product attribute



Speciality 100% Juice - 60% globally say they are interested in products with proven health benefits



UK soft drinks sectors

- Carbonates (43%)
- Dilutables (23%)
- Bottled water (18%)
- Fruit juice (6%)
- Still and juice drinks (10%)

The following questions are based on the case study. You will need to make use of knowledge and understanding you have gained whilst studying the course.

- | | | |
|--------|---|---|
| 1. (a) | (i) From the case study, identify one way that Cuddybridge is ethical in its production. | 1 |
| | (ii) Justify the importance of ethical production. | 3 |
| (b) | Compare job production with flow production. | 3 |
| (c) | (i) Using the case study, identify reasons why Cuddybridge started producing apple juice. | 2 |
| | (ii) Explain how external factors could affect the success of Cuddybridge. | 5 |
| (d) | Describe methods that Cuddybridge could use to ensure the quality of its apple juice. | 3 |
| (e) | (i) Identify a suitable method of distribution for Cuddybridge Apple Juice. | 1 |
| | (ii) Justify the method identified in (e)(i). | 2 |

It has been more than 10 years since Jamie Oliver opened his Fifteen restaurant in London as a social enterprise, which was followed on a Channel 4 documentary called Jamie's Kitchen.

Jamie had the vision of creating one of London's finest restaurants and using the magic of cooking to give young people who have faced enormous challenges in their lives the opportunity to unlock their true talent through providing great training and mentoring. The year-long apprenticeship consisted of working alongside top chefs in the restaurant and also spending time at college.

To apply for the apprenticeship applicants had to be between 16 and 24 and not be in employment, education or training. In the first year there were over 300 applications for just 21 places.

Over 170 graduates have completed the apprentice programme at Fifteen London.



£1.20

The Daily News

CITY FINAL Monday 20th February 2017 VOL 32 NO.10

Rising Prices and Shrinking Products

Dispatches

Dispatches, a Channel 4 documentary, reported that after Brexit food prices in the UK were increasing, mainly due to the rising cost of raw materials from Europe. As a result the prices paid by consumers for restaurant meals has also increased.

Source: Channel4Dispatches - Supermarkets: Brexit & Your Shrinking Shop

The following questions are based on the case study. You will need to make use of knowledge and understanding you have gained whilst studying the course.

- | | | |
|------------|--|---|
| 2. (a) (i) | From the case study, identify a type of training used by Fifteen. | 1 |
| (ii) | Discuss the advantages and disadvantages of the type of training identified in (a)(i). | 3 |
| (b) | Describe methods of selection that could be used by Fifteen to select apprentices. | 4 |
| (c) | Using the case study, compare the objectives of Fifteen with those of an organisation in the private sector. | 3 |
| (d) | Explain the benefits to Fifteen of Jamie's celebrity endorsement. | 3 |
| (e) | Describe how technology could be used in the marketing and operations functions of Fifteen. | 3 |
| (f) | Outline ways that Fifteen could reduce costs. | 3 |

SECTION 2 — 50 marks

Attempt ALL questions

- | | | | |
|----|-----|--|---|
| 3. | (a) | (i) Identify 2 stakeholders of a private sector organisation. | 2 |
| | | (ii) Explain the impact that the stakeholders identified in (a)(i) could have on the organisation. | 3 |
| | (b) | Outline how an organisation could maximise customer satisfaction. | 3 |
| | (c) | Distinguish between a sole trader and a private limited company. | 2 |
| 4. | (a) | (i) Outline the factors that would be considered before setting a price for a product. | 3 |
| | | (ii) Describe pricing strategies for a new product. | 2 |
| | (b) | Explain the benefits of branding. | 3 |
| | (c) | Describe how an organisation can be ethical in its marketing activities. | 2 |
| 5. | (a) | Outline the stages of the recruitment process. | 4 |
| | (b) | Describe payment systems used to calculate employee wages. | 4 |
| | (c) | Identify 2 pieces of employment legislation. | 2 |

6. Cash Budget for Blooming Florist Ltd

	£ May	£ June	£ July
OPENING BALANCE	20,000	-3,000	-2,000
<u>RECEIPTS</u>			
Sales Revenue	<u>2,000</u>	<u>(ii)</u>	<u>13,000</u>
TOTAL	22,000	5,000	11,000
<u>PAYMENTS</u>			
Purchases	1,000	2,000	3,500
Wages	3,000	4,000	4,000
Advertising	1,000	1,000	1,000
Purchase of Motor Van	<u>(i)</u>	<u>0</u>	<u>0</u>
TOTAL	25,000	7,000	8,500
CLOSING BALANCE	-3,000	-2,000	2,500

- (a) From the cash budget, calculate the missing figures (i) and (ii). 2
- (b) Discuss sources of finance that could be used by a private limited company. 4
- (c) Justify the use of spreadsheets in the Finance department. 2
- (d) Outline the purpose of producing an Income Statement. 2
7. (a) Describe the factors that would be considered before choosing a supplier of raw materials. 4
- (b) Draw and label an inventory control diagram. 3
- (c) Explain the problems that could be encountered if an organisation:
- overstocks
 - understocks. 3

[END OF SPECIMEN QUESTION PAPER]

ACKNOWLEDGEMENTS

Section 1 Question 1 – Information and logo are adapted from www.cuddybridgeapplejuice.com.
Reproduced by kind permission of Cuddybridge Apple Juice.

Section 1 Question 1 – Infographic on left is adapted from “Tetra Pak Juice Index Infographic”.

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Marking Instructions

These marking instructions have been provided to show how SQA would mark this specimen question paper.

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General marking principles for National 5 Business Management

This information is provided to help you understand the general principles you must apply when marking candidate responses to questions in this paper. These principles must be read in conjunction with the detailed marking instructions, which identify the key features required in candidate responses.

- (a) Marks for each candidate response must always be assigned in line with these general marking principles and the detailed marking instructions for this assessment.
- (b) Marking should always be positive. This means that, for each candidate response, marks are accumulated for the demonstration of relevant skills, knowledge and understanding: they are not deducted from a maximum on the basis of errors or omissions.
- (c) If a specific candidate response does not seem to be covered by either the principles or detailed marking instructions, and you are uncertain how to assess it, you must seek guidance from your team leader.
- (d) i. Questions that ask candidates to Describe ...
Candidates must make a number of relevant, factual points up to the total mark allocation for the question. These should be key points. The points do not need to be in any particular order. Candidates may provide a number of straightforward points or a smaller number of developed points, or a combination of these.

Up to the total mark allocation for this question:

- 1 mark should be given for each accurate relevant point of knowledge
- a second mark could be given for any point that is developed from the point of knowledge.

- ii. Questions that ask candidates to Explain ...
Candidates must make a number of points that relate cause and effect and/or make the relationships between things clear, for example by showing connections between a process/situation. These should be key reasons and may include theoretical concepts. There is no need to prioritise the reasons.

Candidates may provide a number of straightforward reasons or a smaller number of developed reasons, or a combination of these.

Up to the total mark allocation for this question:

- 1 mark should be given for each accurate relevant point of reason
- a second mark could be given for any other point that is developed from the same reason.

- iii. Questions that ask candidates to Compare ...

Candidates must demonstrate a true comparison in order to gain any mark. Both sides of the point must be clear but need not be linked. Candidates can write several points regarding the first comparison item, followed by several points on the second, and the marker match the points using codes (eg a, b, c).

Up to the total mark allocation for this question:

- 1 mark should be given for each compared point

Detailed marking instructions for each question

Question			Expected answer	Max mark	Additional guidance
1	(a)	(i)	<p><u>Responses could include:</u></p> <ul style="list-style-type: none"> • They do not add any artificial colourings etc • They recycle their waste by turning it into feed for pigs • Using labour rather than machines (hand pressed) 	1	<p>Candidates must identify one factor from the case study to gain full marks.</p> <p>Award 1 mark for the identified factor.</p> <p>Answers must be identifiable from the case study.</p>
		(ii)	<p><u>Responses could include:</u></p> <ul style="list-style-type: none"> • Limits the amount of waste going to landfill • Helps to win awards • Reduce costs/increase costs • Can charge a higher price • Improves the image of the organisation <ul style="list-style-type: none"> ○ This could increase sales/profits • Can be used as a USP <ul style="list-style-type: none"> ○ Can give a competitive edge 	3	<p>Candidates must identify at least one reason why ethical production is important to gain full marks.</p> <p>Award 1 mark for a valid reason. Up to 2 marks may be awarded for describing a reason.</p> <p>Do not award both increase and decrease costs unless they are qualified.</p> <p>Accept any suitable response.</p>

Question		Expected answer	Max mark	Additional guidance																
	(b)	<p>Responses could include:</p> <table border="1"> <thead> <tr> <th>Job Production</th> <th></th> <th>Flow Production</th> </tr> </thead> <tbody> <tr> <td>more labour intensive</td> <td rowspan="7" style="text-align: center; vertical-align: middle;">whereas</td> <td>more capital intensive</td> </tr> <tr> <td>one product is made at a time</td> <td>multiple products are made at a time</td> </tr> <tr> <td>uses skilled labour</td> <td>uses unskilled labour</td> </tr> <tr> <td>production costs are higher</td> <td>can spread cost over multiple units/can benefit from economies of scale</td> </tr> <tr> <td>can customise individual products</td> <td>creates standardised products</td> </tr> <tr> <td>more motivating as the product changes</td> <td>less motivating as task is repetitive</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Both methods of production can be expensive in terms of staff training and machinery 	Job Production		Flow Production	more labour intensive	whereas	more capital intensive	one product is made at a time	multiple products are made at a time	uses skilled labour	uses unskilled labour	production costs are higher	can spread cost over multiple units/can benefit from economies of scale	can customise individual products	creates standardised products	more motivating as the product changes	less motivating as task is repetitive	3	<p>Candidates are required to make 3 valid comparisons to gain full marks.</p> <p>Candidates must demonstrate a true comparison in order to gain any mark. Both sides of the point must be clear but do not need to be linked.</p> <p>Award 1 mark per comparison point.</p> <p>Accept any other suitable response.</p>
Job Production		Flow Production																		
more labour intensive	whereas	more capital intensive																		
one product is made at a time		multiple products are made at a time																		
uses skilled labour		uses unskilled labour																		
production costs are higher		can spread cost over multiple units/can benefit from economies of scale																		
can customise individual products		creates standardised products																		
more motivating as the product changes		less motivating as task is repetitive																		

Question		Expected answer	Max mark	Additional guidance
	(c) (i)	<p><u>Responses could include:</u></p> <ul style="list-style-type: none"> • More profitable to produce than cider • 67% of customers rated “all natural” as the most interesting products • 60% globally say they are interested in products with proven health benefits 	2	<p>Candidates are required to give 2 reasons from the case study to gain full marks.</p> <p>Answers must be identifiable from the case study.</p>
	(ii)	<p><u>Responses could include:</u></p> <p>Political</p> <ul style="list-style-type: none"> • Changes in laws may prevent Cuddybridge from operating - which will result in it having to spend extra finance to comply with the changes • Local council may refuse to give planning permission - which means that the company cannot grow <p>Economic</p> <ul style="list-style-type: none"> • There may be a reduction in consumer spending due to recession - which will reduce sales • Cost of producing the apple juice may rise due to inflation - which will increase variable costs <p>Social</p> <ul style="list-style-type: none"> • There may be an increase in publicity about healthy drinks - which may increase sales 	5	<p>Candidates are required to consider at least 2 external factors to gain full marks.</p> <p>Award 1 mark for each valid explanation. Up to 4 marks may be awarded for the explanation of a factor.</p> <p>Do not award (DNA) repeat explanations, eg “this will increase sales” twice.</p> <p>Accept any other suitable response.</p>

Question	Expected answer	Max mark	Additional guidance
	<p>Technological</p> <ul style="list-style-type: none"> • A new piece of equipment may become available - which would increase the speed of the pressing <p>Environmental</p> <ul style="list-style-type: none"> • Weather may be bad - which could result in a shortage of apples <ul style="list-style-type: none"> ○ This could halt production • There may be increased consumer awareness of environmental issues - which may mean Cuddybridge may have to adapt packaging 		

Question		Expected answer	Max mark	Additional guidance
	(d)	<p><u>Responses could include:</u></p> <p>Quality Circles</p> <ul style="list-style-type: none"> • Small groups of employees who meet regularly to discuss how to improve methods of working <p>Quality Assurance</p> <ul style="list-style-type: none"> • Checking at every stage of the production process • To ensure 'right first time' and prevent errors <p>Quality Control</p> <ul style="list-style-type: none"> • Checking at (the beginning and) the end of production process only <p>Quality Inputs</p> <ul style="list-style-type: none"> • Raw materials need to be high quality in order to obtain a quality final product • All staff must be trained so they are competent and are all working to the same quality standards • Machines need to be maintained so that they do not make mistakes affecting quality 	3	<p>Candidates are required to consider at least 2 methods of ensuring quality to gain full marks.</p> <p>Award 1 mark for each valid description. Up to 2 marks may be awarded for the description of a method.</p> <p>Accept any other suitable response.</p>

Question			Expected answer	Max mark	Additional guidance
	(e)	(i)	<ul style="list-style-type: none"> Road 	1	<p>Award 1 mark for correct identification of a method of distribution.</p> <p>DNA air or sea.</p>
		(ii)	<p><u>Responses could include:</u></p> <ul style="list-style-type: none"> Juice is delivered directly to the customer (door to door) Juice can be transported in refrigerated vans Cuddybridge can deliver at any time of the day or night Clients are local so air (or sea) is not suitable 	2	<p>Candidates are required to give at least one reason for the choice of method in (e) (i).</p> <p>Award 1 mark for a valid reason. Up to 2 marks may be awarded for a reason.</p> <p>Easy/quick/cheap should be qualified or should show a comparator statement.</p> <p>Accept consequentiality from (e)(i).</p> <p>Accept any other suitable response.</p>

Question			Expected answer	Max mark	Additional guidance
2	(a)	(i)	<p><u>Responses could include:</u></p> <ul style="list-style-type: none"> • On the Job • Off the Job 	1	<p>Candidates are required to identify one type of training to gain full marks.</p> <p>Award 1 mark for correct identification of a type of training.</p> <p>DNA induction training.</p>
		(ii)	<p><u>Responses could include:</u></p> <p>On the Job</p> <p><u>Advantages</u></p> <ul style="list-style-type: none"> • Employees become familiar with surroundings • May be cheaper than other forms of training <ul style="list-style-type: none"> ○ as existing staff can train others • Employees are productive during training • Training is specific to the organisation • Takes place in work time so employees may be happier to take part <p><u>Disadvantages</u></p> <ul style="list-style-type: none"> • Takes a current employee away from production <ul style="list-style-type: none"> ○ reduces the amount produced • Employees may make mistakes whilst learning <ul style="list-style-type: none"> ○ results in increased wastage/lower customer satisfaction 	3	<p>Candidates are required to consider at least one advantage and one disadvantage of training to gain full marks.</p> <p>Award 1 mark for each advantage and disadvantage. Up to 2 marks may be awarded for any one advantage or disadvantage.</p> <p>Allow consequentiality on induction training.</p> <p>Accept consequentiality on methods.</p> <p>Accept any other suitable response.</p>

Question		Expected answer	Max mark	Additional guidance
		<p>Off the Job</p> <p><u>Advantages</u></p> <ul style="list-style-type: none"> • Employees may gain a qualification <ul style="list-style-type: none"> ○ this could result in them being considered for promotion • Wider range of skills can be gained <ul style="list-style-type: none"> ○ improves staff flexibility • Can learn from outside experts <p><u>Disadvantages</u></p> <ul style="list-style-type: none"> • No production takes place • Expensive as have to pay for the course/outside training providers <ul style="list-style-type: none"> ○ also pay for staff travel expenses • May need to hire a supply/temporary worker 		
	(b)	<p><u>Responses could include:</u></p> <p>Application Form/CV</p> <ul style="list-style-type: none"> • A document which contains personal information on a candidate <ul style="list-style-type: none"> ○ They can be used to compare against the person specification ○ Can be used to decide who is short listed for interview/who is rejected 	4	<p>Candidates are required to consider at least 2 methods of selection to gain full marks.</p> <p>Award 1 mark for each valid description. Up to 3 marks may be awarded for the description of a method.</p> <p>Accept any other suitable response.</p>

Question	Expected answer	Max mark	Additional guidance
	<p>Interview</p> <ul style="list-style-type: none"> • A face to face meeting where an applicant is asked questions <ul style="list-style-type: none"> ○ Allows the organisation to ask a series of questions to all applicants to allow for comparisons ○ Allows the organisation to assess the candidate's appearance/personality ○ Allows the organisation to question the content of the CV/application form ○ Allows a candidate to ask questions <p>Reference</p> <ul style="list-style-type: none"> • A written or oral report on the work ethic of an applicant provided by a previous employer <ul style="list-style-type: none"> ○ Provides key information on attendance, attitude, time-keeping ○ Usually written by a past employer ○ Allows an organisation to confirm the content of a CV/application form <p>Testing</p> <ul style="list-style-type: none"> • A physical or mental challenge for the applicant <ul style="list-style-type: none"> ○ These provide additional information on a candidate's suitability ○ An organisation can see how a candidate copes under pressure 		

Question		Expected answer	Max mark	Additional guidance
(c)		<p><u>Responses could include:</u></p> <ul style="list-style-type: none"> • Fifteen aims to help young people whereas a private sector organisation aims to grow • Both Fifteen and a private sector organisation aim to make a profit • Both Fifteen and a private sector organisation aim to provide a service 	3	<p>Candidates are required to compare 3 objectives to gain full marks. Objectives of Fifteen must be interpreted from case study.</p> <p>Candidate must demonstrate a true comparison in order to gain any mark. Both sides of the point must be clear but do not need to be linked.</p> <p>Do not award marks for comparing features ie ownership/control etc - only objectives from the case study.</p> <p>Award 1 mark for each valid comparison.</p> <p>Accept any other suitable response.</p>
(d)		<p><u>Responses could include:</u></p> <ul style="list-style-type: none"> • Consumers are attracted to the product - in an attempt to be like the celebrity • Jamie Oliver is already a household name - so Fifteen could save money on marketing • Higher prices can be charged - which will result in greater profits • Greater chance of success - as Jamie Oliver will already have brand loyalty. 	3	<p>Candidates are required to consider at least 2 benefits to gain full marks.</p> <p>Award 1 mark for each valid explanation. Up to 2 marks may be awarded for any explanation of a benefit.</p> <p>Accept any other suitable response.</p>

Question	Expected answer	Max mark	Additional guidance
(e)	<p><u>Responses could include:</u></p> <p>Marketing</p> <ul style="list-style-type: none"> • Internet could be used to allow customers to book tables online • Internet could be used to gather customer information through online surveys • MS Publisher could be used to create business cards/posters • Apps could be created to inform customers <ul style="list-style-type: none"> ○ Send push notifications to increase awareness of products ○ Allow customers to purchase goods on the go • Social media could be used to increase awareness of products/notify customers of special offers <ul style="list-style-type: none"> ○ These can be shared or re-tweeted to increase brand awareness • QR codes could be used to create a link to Fifteen's website 	3	<p>Candidates are required to describe at least one use of technology in marketing and one use of technology in operations to gain full marks.</p> <p>Award 1 mark for each valid described use. Up to 2 marks may be awarded for any described use.</p> <p>Accept any other suitable response.</p>

Question		Expected answer	Max mark	Additional guidance
		<p>Operations</p> <ul style="list-style-type: none"> • Ovens could be programmed to come on and go off at certain times of the day • iPads could be used to take orders from customers <ul style="list-style-type: none"> ○ These would automatically send orders to the kitchen • Databases could be used to create/maintain stock records/customer records • Internet could be used to compare the prices of suppliers 		
	(f)	<p><u>Responses could include:</u></p> <ul style="list-style-type: none"> • Find a cheaper supplier of ingredients • Negotiate a cheaper rental agreement on restaurants • Switch utility suppliers • Reduce the amount of expenditure on advertising 	3	<p>Candidates are required to consider at least 2 ways costs could be reduced to gain full marks.</p> <p>Award 1 mark for each valid point. Up to 2 marks may be awarded for any one point.</p> <p>Accept any other suitable response.</p>

Question			Expected answer	Max mark	Additional guidance
3	(a)	(i)	<p><u>Responses could include:</u></p> <ul style="list-style-type: none"> • Employees • Shareholders/owners • Government • Suppliers • Bank • Local Community • Customers 	2	<p>Candidates are required to identify 2 stakeholders to gain full marks.</p> <p>Award 1 mark for correct identification of a stakeholder.</p> <p>Accept any other suitable response.</p>
		(ii)	<p><u>Responses could include:</u></p> <ul style="list-style-type: none"> • Employees <ul style="list-style-type: none"> ○ could go on strike - preventing production ○ could provide poor customer service - which will reduce sales • Shareholders/owners <ul style="list-style-type: none"> ○ could invest additional capital - allowing more efficient equipment to be purchased <ul style="list-style-type: none"> ▪ this could reduce wastage • Government <ul style="list-style-type: none"> ○ could increase NLW - which will increase wages ○ could change taxation levels - resulting in lower profits 	3	<p>Candidates are required to describe the impact of both stakeholders identified in (a)(i).</p> <p>Award 1 mark for correct impact of a stakeholder. Up to 2 marks may be awarded for the impact of any one stakeholder.</p> <p>DNA 'flips', eg poor service/good service.</p> <p>Accept any other suitable response.</p>

Question		Expected answer	Max mark	Additional guidance
		<ul style="list-style-type: none"> • Suppliers <ul style="list-style-type: none"> ○ could deliver goods late - which would prevent production <ul style="list-style-type: none"> ▪ this would result in disappointed customers ○ may increase prices - which will result in reduction of gross profit • Bank <ul style="list-style-type: none"> ○ could refuse an overdraft - making it more difficult to pay bills • Local Community <ul style="list-style-type: none"> ○ could protest about the business - leading to a bad reputation 		
	(b)	<p><u>Responses could include:</u></p> <ul style="list-style-type: none"> • Train staff <ul style="list-style-type: none"> ○ so they are knowledgeable and can answer customer queries • Maintain a clean environment • Employ extra staff to cover busy periods <ul style="list-style-type: none"> ○ this will reduce queues • Use effective pricing strategies • Provide a quick response to complaints • Provide a good aftersales service 	3	<p>Candidates are required to outline at least two ways an organisation could maximise customer satisfaction.</p> <p>Award 1 mark for correct way customer satisfaction could be maximised. Up to 2 marks may be awarded for any one way.</p> <p>Accept any other suitable response.</p>

Question		Expected answer	Max mark	Additional guidance															
	(c)	<p>Responses could include:</p> <table border="1"> <thead> <tr> <th>Sole Trader</th> <th>whereas</th> <th>Ltd</th> </tr> </thead> <tbody> <tr> <td>owned by one person</td> <td></td> <td>owned by shareholders</td> </tr> <tr> <td>has unlimited liability</td> <td></td> <td>has limited liability</td> </tr> <tr> <td>does not require any formal paperwork to begin trading</td> <td></td> <td>must prepare formal documents to be sent to Register House</td> </tr> <tr> <td>keeps all profits</td> <td></td> <td>splits profits (dividends) with the shareholders</td> </tr> </tbody> </table>	Sole Trader	whereas	Ltd	owned by one person		owned by shareholders	has unlimited liability		has limited liability	does not require any formal paperwork to begin trading		must prepare formal documents to be sent to Register House	keeps all profits		splits profits (dividends) with the shareholders	2	<p>Candidates are required to make 2 valid distinguishing points to gain full marks.</p> <p>Candidates must demonstrate a true difference in order to gain any mark. Both sides of the point must be clear but do not need to be linked.</p> <p>Award 1 mark per distinguished point.</p> <p>Accept any other suitable response.</p>
Sole Trader	whereas	Ltd																	
owned by one person		owned by shareholders																	
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Question			Expected answer	Max mark	Additional guidance
4	(a)	(i)	<p><u>Responses could include:</u></p> <ul style="list-style-type: none"> • The price the customers are willing to pay for it • The price competitors are charging • The stage of the product life cycle • The image of the product • The cost of the raw materials • Location of retail outlet 	3	<p>Candidates are required to outline at least 2 factors to gain full marks.</p> <p>Award 1 mark for outline of a factor. Up to 2 marks may be awarded for any one outline of a factor.</p> <p>Accept any other suitable response.</p>
		(ii)	<p><u>Responses could include:</u></p> <ul style="list-style-type: none"> • Premium/High Price - where the price is set higher than competitor • Market price - where prices are set at a similar level to competitors • Low price - where prices are set lower than competitors 	2	<p>Candidates are required to describe 2 pricing strategies to gain full marks.</p> <p>Award 1 mark for each description of a method of pricing.</p> <p>Accept any suitable pricing tactic eg penetration, skimming etc.</p>

Question		Expected answer	Max mark	Additional guidance
	(b)	<p><u>Responses could include:</u></p> <ul style="list-style-type: none"> • Brand loyalty - which means you are guaranteed returning customers • Brand recognition - so less advertising required • Gives an illusion/image of quality - which means higher prices can be charged • Easier to launch new products - due to customers being familiar with the brand 	3	<p>Candidates are required to consider at least 2 benefits to gain full marks.</p> <p>Award 1 mark for each valid explanation. Up to 2 marks may be awarded for the explanation of a benefit.</p> <p>Accept any other suitable response.</p>
	(c)	<p><u>Responses could include:</u></p> <ul style="list-style-type: none"> • Use technology to reduce the amount of paper used • Ensure that adverts comply with discrimination laws eg do not exploit women in adverts • Ensure that adverts do not give misleading information • Ensure that adverts do not offend customers' beliefs • Ensure that there are no hidden costs in adverts 	2	<p>Candidates are required to consider at least one way a business can be ethical in marketing to gain full marks.</p> <p>Award 1 mark for each valid outline. Up to 2 marks may be awarded for any outlined factor.</p> <p>Accept any other suitable response.</p>

Question		Expected answer	Max mark	Additional guidance
5	(a)	<p><u>Responses could include:</u></p> <ul style="list-style-type: none"> • Identify the vacancy • Carry out a job analysis • Create a job description • Create a person specification • Advertise the job • Send out application forms 	4	<p>Candidates are required to outline 2 stages in the recruitment process to gain full marks.</p> <p>Award 1 mark for each outlined stage. Up to 2 marks may be awarded for any one stage.</p> <p>DNA an ID alone eg job description.</p> <p>Accept the stages in any order.</p> <p>No marks for wrong label.</p> <p>DNA any stages of the selection process.</p>
	(b)	<p><u>Responses could include:</u></p> <ul style="list-style-type: none"> • Piece rate - employee is paid for each item they produce • Time rate - employee paid for each hour they work • Overtime - employee paid for working more than their contracted hours <ul style="list-style-type: none"> ○ this could be paid at a higher rate eg time and a half, double time • Bonus - an additional payment over and above normal salary • Commission - employee is paid a percentage of their overall sales • Salary - an annual amount paid in 12 equal instalments 	4	<p>Candidates are required to describe at least 2 payment systems to gain full marks.</p> <p>Award 1 mark for each description. Up to 3 marks may be awarded for any one description.</p>

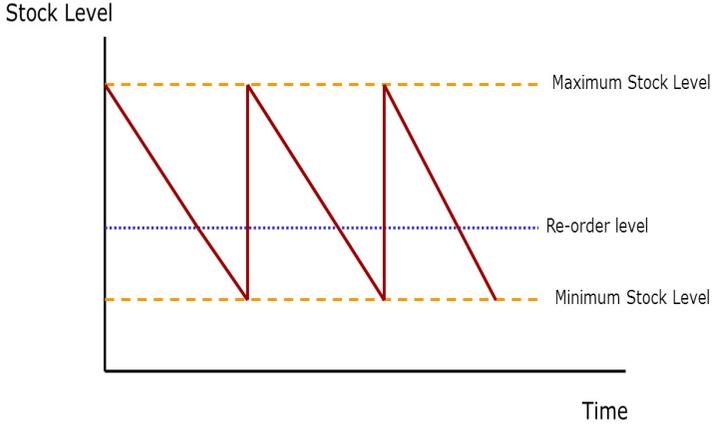
Question		Expected answer	Max mark	Additional guidance
	(c)	<p><u>Responses could include:</u></p> <ul style="list-style-type: none"> • Equality Act • Health and Safety at Work Act • National Minimum Wage/National Living Wage Regulations • Employment Rights Act 	2	<p>Candidates are required to identify 2 laws to gain full marks.</p> <p>Award 1 mark for correct identification of a law. Name must be accurate.</p> <p>Dates not required.</p> <p>Accept any other relevant employment legislation.</p>

Question		Expected answer	Max mark	Additional guidance
6	(a)	(i) £20,000 (ii) £8,000	2	Candidates are required to calculate both missing figures to gain full marks. Award 1 mark for each figure calculated.
	(b)	<p><u>Responses could include:</u></p> <p>Bank loan</p> <ul style="list-style-type: none"> • Finance borrowed from a bank and repaid with interest <ul style="list-style-type: none"> ○ Paid back in instalments ○ Paid over a long period of time ○ Interest is payable on amount borrowed <p>Grant</p> <ul style="list-style-type: none"> • Cash given to a business by the government <ul style="list-style-type: none"> ○ Cash does not need to be repaid ○ Complex paperwork will need to be completed ○ Set criteria may need to be met <p>Overdraft</p> <ul style="list-style-type: none"> • Can take more cash out than you have in your account <ul style="list-style-type: none"> ○ Suitable for short-term cash flow problems ○ Cash available quickly as it can be prearranged 	4	<p>Candidates are required to discuss 2 sources of finance to gain full marks.</p> <p>Award 1 mark for each valid feature, advantage or disadvantage. Up to 3 marks may be awarded for any one source.</p> <p>Watch for repetition.</p> <p>Definitions should be awarded credit - maximum 2.</p> <p>Accept any other suitable response.</p>

Question		Expected answer	Max mark	Additional guidance
		<p>Share Issue</p> <ul style="list-style-type: none"> • People are invited to buy a part ownership of a business <ul style="list-style-type: none"> ○ Investment does not need to be repaid ○ Large amounts can be raised ○ Control is not lost to outsiders ○ Dividends will need to be paid 		
	(c)	<p><u>Responses could include:</u></p> <ul style="list-style-type: none"> • Formulae can be used to calculate information <ul style="list-style-type: none"> ○ which allows for automatic calculation if anything changes ○ which reduces error • Information can be saved and edited later • Templates can be used for financial information - eg Cash Budgets/Profit Statements • Standardisation of documents means that processes are easily replicated • Graphs/Charts can be created to display information <ul style="list-style-type: none"> ○ which allows easier comparison of complex financial information 	2	<p>Candidates are required to consider at least one justification to gain full marks.</p> <p>Award 1 mark for any valid justification. Up to 2 marks may be awarded for any one justification.</p> <p>Do not accept “easy/quick to calculate” unless qualified.</p> <p>Accept any other suitable response.</p>

Question		Expected answer	Max mark	Additional guidance
	(d)	<p><u>Responses could include:</u></p> <ul style="list-style-type: none"> • To calculate gross profit • To calculate the cost of sales • To show net sales • To calculate the total cost of expenses • To calculate profit for the year/net profit • To show other incomes • For legal reasons • To aid decision making • For tax reasons 	2	<p>Candidates are required to outline 2 reasons for producing an income statement to gain full marks.</p> <p>Award 1 mark per valid purpose.</p> <p>DNA answers that relate to financial predictions.</p> <p>Accept any other suitable response.</p>

Question		Expected answer	Max mark	Additional guidance
7	(a)	<p><u>Responses could include:</u></p> <ul style="list-style-type: none"> • Is the price reasonable? • Is the quality acceptable? • Quality of the raw materials is consistent • Delivery time meets the needs of the organisation • The supplier can deliver the correct quantity • The length of credit period being offered by the supplier • Location of supplier as it will impact on delivery charges/time • Discounts that could be given for bulk buying • Is the supplier reliable/do they deliver on time? 	4	<p>Candidates are required to describe at least 2 factors to gain full marks.</p> <p>Award 1 mark for each description of a factor. Up to 3 marks could be awarded for any one factor.</p> <p>Accept any other suitable response.</p>

Question	Expected answer	Max mark	Additional guidance
(b)		3	<p>Candidates are required to draw a stock control diagram with labelled axis to gain full marks.</p> <p>Award 1 mark for showing max, reorder, min stock levels.</p> <p>Award 1 mark for labelling both axes.</p> <p>Award 1 mark for shape.</p> <p>Accept vertical axis labelled as units/sales.</p>

Question		Expected answer	Max mark	Additional guidance
	(c)	<p><u>Responses could include:</u></p> <p>Overstocking</p> <ul style="list-style-type: none"> • Carrying large amounts of stock will increase the cost of storage - which reduces profit <ul style="list-style-type: none"> ○ may result in having to pay larger insurance costs ○ increased security costs • Capital is tied up in stock - which means that the finance cannot be used elsewhere • The stock may deteriorate - resulting in larger wastage costs • Changes in trends and fashion will mean that stock might become obsolete - which means it will not be able to be sold • Higher risk of theft - as it is less obvious that stock has gone missing 	3	<p>Candidates are required to consider at least one problem of overstocking AND one problem of understocking to gain full marks.</p> <p>Award 1 mark for any explained problem. Up to 2 marks may be awarded for over or understocking. Accept the development on any problem.</p> <p>DNA description of over/understocking as an ID.</p> <p>Max 1 mark for increased costs.</p> <p>Accept any other suitable response.</p>

Question			Expected answer	Max mark	Additional guidance
			<p><i>Understocking</i></p> <ul style="list-style-type: none"> • Becomes harder to cope with unexpected changes in demand - which means customers may go elsewhere to purchase the product <ul style="list-style-type: none"> ○ if customers go elsewhere the firm may lose them completely and not just the one time • Production may have to stop completely - meaning paying for workers who are not producing any goods • Need to continually order or restock - which can mean increased administration costs <ul style="list-style-type: none"> ○ increased transport costs • No bulk buying - therefore increased unit costs 		

[End of Specimen Marking Instructions]