

Question	Answer	Marks	AO Element	Notes	Guidance
1	<p>Identify <u>two</u> benefits to a business of specialisation.</p> <p>Award 1 mark per benefit (max 2).</p> <p>Points might include:</p> <ul style="list-style-type: none"> Increases output Quicker production / increases productivity / higher efficiency Lower unit cost / economies of scale Workers become expert/more skilled / employees focus on what they are good at Improves accuracy / better quality / fewer mistakes / reduces waste Helps improve competitiveness <p>Other appropriate responses should be credited.</p>	2		Only award the first two responses given.	

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2	<p>Define ‘opportunity cost’.</p> <p>Award 2 marks for a full definition. Award 1 mark for a partial definition.</p> <p>The next best alternative foregone / given up [2]</p> <p>OR</p> <p>The benefit that could have been gained from an alternative use of the same resource [2]</p> <p>OR</p> <p>A benefit, profit, or value that a firm gives up in order to achieve something else [2]</p> <p>Partial definition e.g. what you must give up / forgo [1]</p>	2			

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3	<p>Explain how the following changes could value:</p> <ul style="list-style-type: none"> Change the packaging Use cheaper materials <p>Award 1 mark for identification of each relevant point (max 2).</p> <p>Award 1 mark for each relevant point (max 2).</p> <p>Award 1 mark for each relevant explanation (max 2).</p> <p>Points might include:</p> <p>Change the packaging:</p> <ul style="list-style-type: none"> This will allow Jerome to be able to increase the price [k] of his drink [app] increasing the gap between price and costs [an] Customers can perceive the product to be worth more [k] so may be prepared to pay more for the same product [an] <p>Use cheaper materials:</p> <ul style="list-style-type: none"> This will allow Jerome to increase the gap between costs and price [an] Lower costs [k] can lead to higher profit per unit sold [an] <p>Other appropriate responses should also be credited.</p>	6		<p>Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made.</p> <p>The following words are likely to be appropriate for this question:</p> <ul style="list-style-type: none"> (low sugar) drinks 200 units above break-even 10 000 units sold 9800 (break-even) <p>Other appropriate examples in context can still be credited.</p>	

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4	<p>What is meant by ‘added value’?</p> <p>Clear understanding [2]: e.g. difference between price of a finished product and the cost of the inputs involved in making it OR difference between the selling price of a product and the cost of bought in materials and components [2] OR improvement to the product that makes it worth more plus a relevant example [2]</p> <p>Some understanding [1] e.g. improvement to the product that makes it worth more</p>	2			
5	<p>Define ‘public sector’.</p> <p>Award 2 marks for a full definition. Award 1 mark for a partial definition.</p> <p>Government/state owned businesses [2]</p> <p>Partial definition e.g. run/operated/controlled by government [1]</p>	2			

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6	<p>Identify <u>two</u> examples of business activity in the tertiary sector.</p> <p>Knowledge [2 × 1] Award one mark for each relevant example</p> <p>Points might include: Accountants, retailers, hairdressers, doctors, restaurants, airlines, transport or distribution businesses</p>	2		<p>Accept any reasonable suggestion</p> <p>Do not award specific company names such as McDonalds, Starbucks as this does not answer the question.</p>	
7	<p>Calculate the number of people employed in secondary sector businesses in country Y.</p> <p>Good application [2] 3 million OR 3000000.</p> <p>Some application [1] 20m × .15 OR 3.</p>	2		<p>Must have correct units (millions) for both marks.</p>	

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8	<p>Identify <u>two</u> ways a business can grow.</p> <p>Award 1 mark per way (max 2).</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Takeover • Merger • Develop new products • Enter new markets • Increasing sales (of existing products) / open more locations • Franchising <p>Other appropriate responses should be credited.</p>	2		Only award the first two responses given.	

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9	<p>Identify <u>two</u> ways a business plan can help a business to reduce risk.</p> <p>Award 1 mark per way (max 2). Points might include:</p> <ul style="list-style-type: none"> • Help secure funding/attract investors • Can show whether/when extra finance needed/help budgeting • Help set goals/objectives/provide sense of direction • Help monitor/check/track progress • Test feasibility of idea/identify demand • Help set (suitable) prices • Understand level/type of competition • Help identify skills/employees needed • Help allocate resources (appropriately) <p>Other appropriate responses should also be credited.</p>	2		Only award the first two answers given.	

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10	<p>Identify <u>two</u> limitations of using the number of employees to measure the size of a business.</p> <p>Award 1 mark per limitation.</p> <p>Points could include:</p> <ul style="list-style-type: none"> • Does not account for capital intensive business / depends on method of production used • Could have many part-time employees • May give a different indicator of size to other measures used. <p>Other appropriate responses should also be credited.</p>	2		Only award the first two responses given.	

Question	Answer	Marks	AO Element	Notes	Guidance
11	<p>Identify <u>four</u> reasons why a new business might be at greater risk of failure than an established business.</p> <p>Award 1 mark for each relevant reason (max 4).</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Lack of / cannot get finance / cash flow problems / lack of liquidity • Level of competition / lack customer loyalty / lack of customers / demand / sales • Poor planning / no business plan / lack of objectives • Lack of (managerial/business) experience/skills/knowledge • Inadequate/no market research • No reputation / low brand awareness / no brand image <p>Other appropriate responses should also be credited.</p>	4		Only award the first four points given.	

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12	<p>Do you think being a risk-taker is a more important characteristic of a successful entrepreneur than being creative? Justify your answer.</p> <p>Award up to 2 marks for identification of relevant points.</p> <p>Award up to 2 marks for relevant development of points.</p> <p>Award 2 marks for a justified decision as to whether being a risk-taker is a more important characteristic of a successful entrepreneur than being creative.</p> <p>Points might include:</p> <p>Risk-taker:</p> <ul style="list-style-type: none"> • A successful entrepreneur must take risks otherwise there is no business [k] • Entrepreneurs take the risk of investing their own money [k] this may bring high rewards [an] however they may fail and lose their personal possessions [an] • Taking risks is a way to learn [k] if an idea is good or not [an] <p>Creative:</p>	6		<p>This is a general question so there are no marks for application.</p> <p>For evaluation to be awarded justification will usually follow on from relevant analysis of points.</p>	

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	<ul style="list-style-type: none"> New ideas [k] leading to increased sales/revenue [an] Creativity adds value [k] so higher prices can be charged [an]. Creativity alone does not guarantee success [k] if customers do not purchase [an] <p>Other appropriate responses should also be credited.</p> <p>Justification might include:</p> <p>Entrepreneurs take the risk of investing their own money [k] this may bring high rewards [an]. Being creative maybe a more important characteristic as making a business different to its competitors [k] can lead to increased sales [an]. In a competitive market creativity is especially important because it helps the business stand out from competitors. [eval] An entrepreneur can take risks, but if customers will not buy, they will not be successful. [eval]</p>				

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13	<p>Define ‘ business plan ‘.</p> <p>Award 2 marks for a full definition.</p> <p>Award 1 mark for a partial definition.</p> <p>A document containing the business aims/objectives and important details about the operations, finance and owners of a business [2]</p> <p>OR A detailed written document outlining the purpose and aim of a business which is often used to persuade lenders or investors to finance a business proposal [2]</p> <p>OR States aims and/or objectives and shows how business plans to achieve them [</p> <p>2] Partial definition e.g. A document stating the aims of the business [1]</p>	2		For one mark must have idea of outlines business objectives/goals. The second mark can outline why it is used, information it contains or other relevant development.	

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14	<p>Do you think a takeover of a competitor is the best way for a large business to grow? Justify your answer.</p> <p>Award up to two marks for identification of relevant points.</p> <p>Award up to two marks for relevant development of points.</p> <p>Award up to two marks for justified decision as to whether the takeover of a competitor is the best way for a large business to grow.</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Possible economies of scale [k] leading to lower average costs [an] • Reduced / less competition / increase market share [k] so able to increase prices / revenue [an] • Access to new skills / expertise [k] • (Bad reputation as) may need to make some workers redundant / negative impact on employee motivation / job insecurity [k] lowering productivity [an] • High cost [k] which the business might not have / be able to afford [an] • Possible clash of management styles / different objectives [k] 	6		<p>This is a general question so there are no marks for application.</p> <p>Candidates can discuss other ways a business can grow but evaluation must focus on the question set.</p> <p>For both evaluation marks judgement must clearly relate to a large business.</p> <p>Do not award mirror answers.</p>	

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	<ul style="list-style-type: none"> • Diseconomies of scale e.g. communication problems [k] leading to higher average costs [an] <p>Other ways to grow can also be discussed such as:</p> <ul style="list-style-type: none"> • Expand product range [k] which can help better control / manage speed of change [an] • Merger [k] • Joint venture [k] <p>Other appropriate responses should also be credited.</p>				
15	<p>Define ‘unincorporated business’.</p> <p>Award 2 marks for a full definition. Award 1 mark for a partial definition.</p> <p>A business that does not have a separate legal identity [2]</p> <p>Partial definition e.g. owner is/are responsible for business debts/unlimited liability [1]</p>	2		Max 1 for features of an unincorporated business e.g. business ends if an owner leaves.	

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16	<p>Outline how having limited liability might benefit DNG's shareholders.</p> <p>Award up to 2 marks for relevant points (max 2).</p> <p>Award up to 2 marks for each relevant reference to this business (max 2).</p> <ul style="list-style-type: none"> Shareholders risk is limited to the amount invested [k] in this electricity business [app] Protects personal assets [k] in case the business decision to contribute to sustainable development does not work [app] Encourages (potential/existing) shareholders to invest [k] <p>Other appropriate responses should also be credited.</p> <p>Shareholders risk is limited (to the amount invested) [k] in the electricity company [app] protecting their personal assets [k] in case the decision to stop using coal does not work [app]</p>	4		<p>Note 1: Candidates can outline one benefit in detail or outline two separate benefits.</p> <p>Note 2: Answers must refer to the owners / shareholders and not the business itself.</p> <p>To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made.</p> <p>The following words are likely to be appropriate for this question:</p> <ul style="list-style-type: none"> Electricity (Stop using) coal 16 million (customers) 6500 (employees) Pressure groups Opportunity cost <p>Other appropriate examples in context can still be credited.</p>	

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17	<p>Do you think a partnership is the best form of business organisation for a new business? Justify your answer.</p> <p>Award up to 2 marks for identification of relevant points.</p> <p>Award up to 2 marks for relevant development of points.</p> <p>Award up to 2 marks for justified decision as to whether a partnership is the best form of business organisation for a new business.</p> <p>Points might include:</p> <p>Partnership:</p> <ul style="list-style-type: none"> • Share workload/responsibility [k] which could allow time for each partner to focus on different business activities [an] • More ideas/skills [k] which could help make the business more competitive [an] • Can share any potential loss/risks [k] • Unlimited liability [k] personal possessions at risk if unable to pay business debts [an] • Risk of disagreements / slow 	6		<p>This is a general question so there are no marks for application.</p> <p>Candidates can discuss other forms of business organisation, but evaluation must focus on whether a partnership is the best form.</p>	

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	<p>decision making [k] so less responsive to changes in customer demand [an]</p> <ul style="list-style-type: none"> Must share any profits made [k] <p>Other options might include:</p> <p>Sole traders [k]</p> <ul style="list-style-type: none"> Its simple/very little paperwork required to set up [an] Require limited start-up capital [an] Make all the decisions / has total control of business [an] Keep all the profit [an] Limited access to finance [an] <p>Private limited company [k]</p> <ul style="list-style-type: none"> Benefit from limited liability More paperwork/legal requirement to set up/operate [an] <p>Other appropriate responses should also be credited.</p> <p>Justification might include:</p>				

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	<p>A partnership allows owners to share workload [k] which could allow time for each partner to specialise on certain activities to improve the business [an]. The main problem is unlimited liability [k] which means they could lose personal possessions if unable to pay business debts [an]. However, partnership is a better choice than starting up as a sole trader. While there is still unlimited liability, it is possible to share some of the risk with others if you can work together, then extra skills can help reduce potential problems [eval] which could increase the chances of success [eval].</p>				

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18	<p>Outline <u>two</u> advantages of TJM being a private limited company.</p> <p>Award 1 mark for each relevant advantage [max 2].</p> <p>Award 1 mark for each relevant reference to this business [max 2].</p> <p>Points might include:</p> <ul style="list-style-type: none"> Limited liability (for owners) [k] of the 450 shops [app] Control over who can buy shares [k] for this retailer [app] Can sell shares (to raise capital) [k] for the 20 shops/expansion [app] Separate legal identity/incorporated [k] Continuity [k] <p>Other appropriate responses should also be credited.</p>	4		<p>To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made.</p> <p>The following words are likely to be appropriate for this question:</p> <ul style="list-style-type: none"> 450 (shops) 20 new or 470 shops Food/retailer \$500 million (revenue) 400 employees \$200 million (profit) <p>Other appropriate examples in context can still be credited.</p>	

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19	<p>Identify <u>two</u> features of a public limited company.</p> <p>Award 1 mark for each feature identified.</p> <p>Points might include: • Limited liability • Can sell shares to the general public / shares quoted on stock exchange • Must publish its accounts / more regulations • Separate legal identity / business survives death of owners • Minimum of two owners • Must hold an Annual General Meeting (AGM)</p>	2		Only award the first two responses given.	

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20	<p>Outline <u>one</u> advantage and <u>one</u> disadvantage to Nadia 's business of selling franchises to expand .</p> <p>Award 1 mark for each relevant advantage/disadvantage.</p> <p>Award 1 mark for each relevant reference to this business.</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Receives a fee to use her brand name / franchisee has to buy a licence/ franchisee has to pay start-up costs [k] of her hairdressing business[app] • Expansion is much faster [k] so will not take as long to open the next 5shops [app] • Nadia will receive a share of franchisees profits/royalties [k] helping increase her \$100 000 profit [app] • Franchisees will have local knowledge [k] which is helpful as business only started 4 years ago [app] • Management of outlet is responsibility of franchisee [k] • All products sold must be obtained from franchisor 	4		<p>Note: To use words from the stem asapplication, the reference must beappropriate (i.e. make sense) in relation tothe point being made.</p> <p>The following words are likely to beappropriate for this question:</p> <ul style="list-style-type: none"> • Hairdressing/shop • Maintain quality (is important) • \$100 000 (profit) • 5 (shops) • 20 (employees) • 4 years ago (No experience of) business plans Inflation <p>Other appropriate examples in context canstill be credited.</p> <p>Do not award answers which focus onwhether she should expand or benefits ofgrowth in general e.g. more well known,increase sales.</p>	

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	<p>[k]</p> <p>Disadvantages:</p> <ul style="list-style-type: none"> • Poor management of one franchise could damage whole business reputation [k] as maintaining quality is important [app] • The franchisee keeps some/most of the profits from the outlet [k] • Has to offer franchisees help and advice / training [k] which may take time as when she started she had no experience [app] <p>Other appropriate responses should also be credited.</p>				

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21	<p>Explain <u>two</u> possible advantages to DCN of setting up a joint venture with the other business.</p> <p>Award 1 mark for identification of each relevant advantage (max 2).</p> <p>Award 1 mark for each relevant reference made to this business (max 2).</p> <p>Award 1 mark for each relevant explanation (max 2).</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Increase capital / share costs [k] when making the packaging [app] which can help reduce borrowing [an] • Access to new knowledge / expertise [k] as may learn things from their different leadership styles [app] which could lead to greater productivity / efficiency / higher output [an] • Access new markets [k] as no longer just selling chemicals [app] leading to higher revenue [an] • Share risk [k] • Share resources / share distribution networks / wider 	6		<p>Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made.</p> <p>The following words are likely to be appropriate for this question:</p> <ul style="list-style-type: none"> • Chemical • Glass making • Packaging • Different leadership styles • 8000 employees <p>Other appropriate examples in context can still be credited.</p>	

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	<p>range of contact[k]</p> <ul style="list-style-type: none"> Avoid/reduce competition [k] increasing market share [an] May be a legal requirement (in some countries) / avoid government restrictions [k] Increase production capacity [k] so able to meet potential demand [an] <p>Other appropriate responses should also be credited.</p>				

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22	<p>I identify and explain <u>two</u> disadvantages to PShirts of being a private limited company.</p> <p>Knowledge [2 × 1] – award 1 mark for each relevant disadvantage (max 2)</p> <p>Application (2 × 1) – award 1 mark for each relevant explanation in context.</p> <p>Relevant points may include:</p> <ul style="list-style-type: none"> • Can only sell shares to friends and family [k] so may not raise sufficient funds to expand into other countries [app] • Shareholders may expect dividends (k) from selling shirts [app] • Have to publish (some) financial accounts [k] • Legal formalities to set up and run [k] 	4		<p>Application marks may be awarded for appropriate use of the following:</p> <ul style="list-style-type: none"> • shirts • men and women • priced lower than competitors • sales have fallen • legal controls • relevant use of financial data in table • selling in other countries 	

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23	<p>Identify <u>two</u> objectives a new business might have.</p> <p>Award 1 mark per objective (max 2).</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Survival • Break-even • Make a profit • Become known in the market/create good reputation • Generate sales/gain customers • Encourage customer loyalty • Offer good customer service • Create added value • Social responsibility/ethical • Growth/expansion/increase market share <p>Other appropriate responses should also be credited.</p>	2		Only award the first two responses given.	

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24	<p>Identify <u>two</u> objectives for a business organisation in the public sector.</p> <p>Award 1 mark per objective.</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Financial or examples e.g. meet targets set by government, improve efficiency/reduce costs • Make product/service affordable to all • Provide a service to everyone • Protect or create jobs in certain areas (social objectives) <p>Other appropriate responses should also be credited.</p>	2		Only award the first two responses given.	

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25	<p>Define ‘stakeholder groups’.</p> <p>Award marks for full definition Award mark for partial definition</p> <p>Any group or individual whose performance affects a business [2]</p> <p>Paid for it or provided a good or service to a business [1]</p> <p>OR Someone affected by what a business does [1]</p> <p>OR Anybody inside or outside the business who cares about its operations [1]</p>	2			

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26	<p>Do you think the shareholders are the most important stakeholder group to the success of a limited company? Justify your answer.</p> <p>Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award 2 marks for justified decision as to whether shareholders are the most important stakeholder group to the success of a limited company.</p> <p>Points might include: Shareholders/owners</p> <ul style="list-style-type: none"> • Provide finance / invest money / capital in business [k] which can help the business expand / buy more equipment [an] so can increase output [an] • Influence the aims of the business [k] • Have the power to vote out the directors [k] • They have little / no influence over day-to-day decisions [k] <p>Other stakeholders can include:</p> <ul style="list-style-type: none"> • Customers [k] as they buy the products [an] and if ignores their needs the business will lose sales/revenue [an] • Directors/managers [k] are responsible for day-to-day decision-making [an] • Employees 	6		<p>This is a general question so there are no marks for application.</p> <p>Candidates may focus on other stakeholders, but the evaluation must focus on whether shareholders are the most important stakeholder to the success of a limited company.</p> <p>To gain both evaluation marks, response must clearly relate to a limited company.</p>	

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	<p>[k] make the products [an] so if they become demotivated quality may fall [an] • Suppliers [k] provide materials/inventory [an] • Local community [k] provide the workers [an] • Government [k] provide the legal framework in which the business operates [an] • Bank [k] provide finance/loans [an]</p> <p>Other appropriate responses should also be credited.</p> <p>Justification might include:</p> <p>Shareholders are important as they invest money in the business [k] which can help the business expand [an]. However, once the business is established, they have little / no influence over day-to-day decisions. Customers [k] matter as they buy the products [an]. While shareholders provide important finance, without customers even a limited company cannot generate income [eval] and without this cannot cover its costs or make a profit, so the customer is probably the most important stakeholder. [eval]</p>				

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27	<p>Explain how <u>two</u> external stakeholder groups might be affected by the takeover.</p> <p>Award 1 mark for each relevant stakeholder group.</p> <p>Award 1 mark for each relevant reference to this business.</p> <p>Award 1 mark for each relevant explanation.</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Banks [k] may have increased demand for loans [an] to pay for taking over its main competitor [app] • Government [k] as may receive more tax revenue [an] if KTF can increase its \$40bn sales [app] • [Local] community [k] may be concerned about possible job losses [an] • Suppliers [k] could lead to fewer / increased orders [an] for building materials [app] • Pressure groups [k] • Consumers [k] as may lead to less choice [an] • Competitors [k] as they will be concerned about possible price drops due to the economies of scale gained [an] <p>Other appropriate responses should also be credited.</p>	6		<p>Note: To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made.</p> <p>The following words are likely to be appropriate for this question:</p> <ul style="list-style-type: none"> • Building materials/cement and bricks • manufacturing • \$25bn • Started 60years ago • Main competitors • Combined sales of \$40bn • Business cycle • Interest rates • Legal controls • Protecting the environment <p>Other appropriate examples in context can still be credited.</p> <p>Do not award answers which refer to internal stakeholders such as: owners (shareholders), employees.</p>	

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28	<p>Explain <u>one</u> objective of each of the following stakeholder groups of DWT.</p> <p>Award 1 mark for identifying the objective of each stakeholder group (max 2).</p> <p>Award 1 mark for each relevant reference made to this business (max 2).</p> <p>Award 1 mark for each relevant explanation (max 2).</p> <p>Points might include:</p> <p>Customers • would want high quality products [k] to achieve value for money [an] which is why quality production is important [app] • may want affordable prices [k]</p> <p>Pressure groups • encourage the use of sustainable methods [k] such as solar panels [app] to protect the environment [an] • reduce/limit amount of pollution/environmental damage [k]</p> <p>Other appropriate responses should also be credited.</p>	6			

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29	<p>Identify <u>two</u> advantages to QCH of having objectives</p> <p>Application [2 × 1]: award 1 mark per advantage</p> <p>Points might include: • Have an aim OR target to work towards • Provide a sense of direction OR know what you have to do • Measure of success (to judge performance) • Help budgeting OR planning OR decision making • Motivate</p>	2			
30	<p>What is meant by a ‘social enterprise’?</p> <p>Clear understanding [2]: e.g. business with both social objectives as well as aim to make a profit</p> <p>Some understanding [1] e.g. not all about profit</p>	2			

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31	<p>Do you think Zoff should change its objectives? Justify your answer.</p> <p>Knowledge [1] – award 1 mark for identification of point (s) [max 1]</p> <p>Application [1] – award 1 mark if relevant reference made to Zoff’s business</p> <p>Analysis [2] – award up to 2 marks for relevant development of point(s)</p> <p>Evaluation [2] – justified decision made as to whether Zoff should change its objectives.</p> <p>Either viewpoint is acceptable</p> <p>Relevant points might include:</p> <ul style="list-style-type: none"> • Increase in competition [k] might not be scope to continue to grow [app] • Achieved its growth plan [k] so need to have new objectives • Poor management [k] MD was dismissed [app] could suggest poor decisions were taken [an] Different people have different objectives [k] new MD might have different goals [app] • Financial issues [k] as profits falling [app] so might not have the funds to continue expansion [an] • Improved reputation [k] so customers might 	6			

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	<p>be attracted to better quality [app] leading to higher sales [an]</p> <p>Application marks may be awarded for appropriate use of the following: falling profits, wide range of products, MD dismissal, rapid growth, large manufacturer, bicycles / washing machines</p>				
[Total: 108]					