

Section A

Question number	Answer	Mark
1(a)	C	(1) AO1a

Question number	Answer	Mark
1(b)	B	(1) AO1a

Question number	Answer	Mark
1(c)	<p>Award 1 mark for identification of a benefit, plus 2 further marks for explaining this benefit up to a total of 3 marks.</p> <p>Market research can help a business to understand what types of product its customers want (1). It can then produce products that it knows will be demanded by customers (1) and as a result will increase sales and revenue (1).</p> <p>Market research enables a business to identify key features of competitors (1) which allows the business to spot a gap in the market (1) so they can produce goods and services that help the business to stand out (1).</p> <p>Accept any other appropriate response. Answers that list more than one benefit with no explanation will be awarded a maximum of 1 mark.</p>	(3) AO1a=1 AO1b=2

Question number	Answer	Mark
1(d)	<p>Award 1 mark for identification of an impact, plus 2 further marks for explaining this impact up to a total of 3 marks.</p> <p>Other local businesses will be selling similar products (1) and as a result the business may have to charge lower prices to remain competitive (1), which may result in them having lower sales revenue than if they operated in a less competitive market (1).</p> <p>Rival products may be better than those supplied by the business (1) which means the business may have to develop and improve its own products (1). As a result of this its costs will increase (1).</p> <p>Accept any other appropriate response. Answers that list more than one impact with no explanation will be awarded a maximum of 1 mark.</p>	(3) AO1=1 AO1b=2

Question number	Answer	Mark
2(a)	A, C	(2) AO1a

Question number	Answer	Mark
2(b)	B, E	(2) AO1a

Question number	Answer	Additional guidance	Mark
2(c)	Substitution into correct formula: Profit = £54 000 - (£2 100 + £29 700) (1) Answer: £22 200 (1)	Award full marks for correct numerical answer without working.	(2) AO2

Question number	Answer	Mark
2(d)	Award 1 mark for identification of a benefit, plus 2 further marks for explaining this benefit up to a total of 3 marks. One benefit is financial security for the entrepreneur (1) because limited liability means that their personal possessions cannot be lost were the business to become insolvent (1). As a result, the entrepreneur will be willing to take risks to attempt to grow the business (1). One benefit is the ability to raise finance by selling shares (1) which means the business may be able to invest in its facilities (1). As a result of this the business will be able to expand further and increase sales (1). Accept any other appropriate response. Answers that list more than one benefit with no explanation will be awarded a maximum of 1 mark.	(3) AO1a=1 AO1b=2

Question number	Answer	Mark
2(e)	<p>Award 1 mark for identification of a way that business ideas can come about, plus 2 further marks for explaining this way up to a total of 3 marks.</p> <p>The entrepreneur may have a completely original idea (1) which is based on knowledge of the market (1). This can lead to the development of a totally new product that does not have any competition in the market (1).</p> <p>Observing existing products (1) can lead to ideas about how these might be improved (1). As a result of these ideas an entrepreneur can innovate an existing product (1).</p> <p>Accept any other appropriate response. Answers that list more than one way with no explanation will be awarded a maximum of 1 mark.</p>	<p>(3) AO1a=1 AO1b=2</p>

Question number	Answer	Mark
3(a)	C	(1) AO1a

Question number	Answer	Additional guidance	Mark
3(b)	Substitution into correct formula: (2 000 ÷ 5 000) × 100 (1) Answer: 40% (1)	Award full marks for correct numerical answer without working.	(2) AO2

Question number	Answer	Mark
3(c)	Award 1 mark for identification of a way, plus 2 further marks for explaining this way, up to a total of 3 marks. Surveys can be posted on social media (1) and can allow potential customers to express their preferences (1) which the business can process to identify trends (1). Types of followers of social media can be identified (1) which allow the business to identify the profile of customers (1) and can use this information to design products to meet customers' needs (1). Accept any other appropriate response. Answers that list more than one way with no explanation will be awarded a maximum of 1 mark.	(3) AO1a=1 AO1b=2

Question number	Answer	Mark
3(d)	Award 1 mark for identification of an objective, plus 2 further marks for explaining this objective up to a total of 3 marks. One objective is to earn a bonus (1) therefore the employee will work harder (1). As a result, the business will have lower costs per unit allowing the bonus to be paid (1). Good working conditions (1) are important to employees as this means they are able to do their job more effectively (1). As a result of this they are able to achieve their appraisal or performance targets (1). Accept any other appropriate response. Answers that list more than one objective with no explanation will be awarded a maximum of 1 mark.	(3) AO1a=1 AO1b=2

Question number	Indicative content		Mark
3(e)	<ul style="list-style-type: none"> • Costs are lower as there is less need for retail outlets (AO1b). • Increased reach of the business - can sell beyond the immediate locality (AO1b). • This increases the potential profitability of the business as it will not have to pay rent on shops and other premises (AO3a). • This will lead to higher sales and therefore higher revenue. Providing costs do not increase by more, profits will increase (AO3a). 		(6) AO1b=3 AO3a=3
Level	Mark	Descriptor	
	0	No rewardable material.	
Level 1	1-2	<ul style="list-style-type: none"> • Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used (AO1b). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a). 	
Level 2	3-4	<ul style="list-style-type: none"> • Demonstrates mostly accurate knowledge and understanding of business concepts and issues, including appropriate use of business terminology in places (AO1b). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a). 	
Level 3	5-6	<ul style="list-style-type: none"> • Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology (AO1b). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a). 	

Section B

Question number	Answer	Mark
4(a)	<p>Award up to 2 marks for linked points outlining a suitable market segment for <i>Frog Bikes</i>. Award a maximum of 1 mark if points are not linked.</p> <p>Parents of young children (1) are a market segment because the bikes produced by <i>Frog Bikes</i> are designed specifically for children (1).</p> <p>Children (1) are a market segment because the bikes produced by <i>Frog Bikes</i> are designed specifically for children (1).</p> <p>Do not accept market segments that would not be appropriate for <i>Frog Bikes</i>. For example, pensioners.</p>	(2) A02

Question number	Indicative content	Mark
4(b)	<ul style="list-style-type: none"> Exposure to a very wide customer base, which may be international as well as local (AO2). A high profile on social media might mean that any negative comments by customers are shared with a wide network (AO2). This may lead to increased awareness of customers and potentially higher sales of bikes (AO3). This might damage the reputation of <i>Frog Bikes</i>. As it is a smaller business than well-established rivals such as Halfords, any negative publicity at its early stage might be very damaging and put off potential customers (AO3). 	(6) A02=3 A03a=3

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).
Level 2	3–4	<ul style="list-style-type: none"> Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).
Level 3	5–6	<ul style="list-style-type: none"> Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).

Question number	Answer	Additional guidance	Mark
5(a)	Substitution into correct formula: $(£700 \div £1\,200) \times 100$ (1) Answer: 58.33% (1)	Award full marks for correct numerical answer without working.	(2) A02

Question number	Answer	Additional guidance	Mark
5(b)	Substitution into correct formula: $1\,200 - 700$ (1) Answer: £500 (1)	Award full marks for correct numerical answer without working.	(2) A02

Question number	Indicative content		Mark
5(c)	<ul style="list-style-type: none"> The owners of <i>Frog Bikes</i> operate in a competitive market, with rivals such as Halfords, and sticking to legislation will reassure potential customers who are looking to buying a child's bike (AO2). By having to meet all safety requirement due to government legislation, <i>Frog Bikes'</i> costs will be higher than they would be without such rules (AO2). This will mean that <i>Frog Bikes</i> will establish a strong reputation with its market segments that will choose its bikes knowing they have the latest safety features. This will potentially lead to higher sales, which may lead to higher profits if other costs do not increase due to implementing the requirements of the legislation (AO3). As a result of these higher costs, prices of its bikes may have to rise. Prices for a small business like <i>Frog Bikes</i> are likely to be higher than some of the larger producers. The price of the bikes may be more important than the safety features for parents, and as a result sales revenue may fall (AO3). 		(6) A02=3 A03a=3
Level	Mark	Descriptor	
	0	No rewardable material.	
Level 1	1-2	<ul style="list-style-type: none"> Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a). 	
Level 2	3-4	<ul style="list-style-type: none"> Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a). 	
Level 3	5-6	<ul style="list-style-type: none"> Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a). 	

Question number	Answer	Mark
6(a)	<p>Award 1 mark for stating one impact to <i>Frog Bikes</i> of having a 'growing demand' for its bikes.</p> <p>Higher revenue from increased sales of bikes (1). Stronger reputation than rivals such as JE James (1). Higher fixed costs for staff producing bikes (1).</p> <p>Accept any other appropriate response. Do not accept impacts that would not be appropriate for <i>Frog Bikes</i>. For example, <i>Frog Bikes</i> will be able to sell more products.</p>	(1) A02

Question number	Answer	Mark
6(b)	<p>Award up to 2 marks for linked points outlining a benefit for <i>Frog Bikes</i>. Award a maximum of 1 mark if points are not linked.</p> <p>Higher profits will be earned (1) which means they can invest in the new factory to increase production of bikes (1).</p> <p>They will be more independent (1) which means they can rely less on other sources of finance, such as bank loans, to fund factory expansion (1).</p> <p>Do not accept benefits that would not be appropriate for <i>Frog Bikes</i>. For example, this means that entrepreneurs will make higher profits.</p>	(2) A02

Question number	Indicative content		Mark
6(c)	<ul style="list-style-type: none"> Building a new factory in the UK will mean lower transport costs (AO2). Expanding the Chinese factory is sensible as this factory already has the employees with the skills and expertise in manufacturing the business' bikes (AO2). This means that overall costs can be kept down so that <i>Frog Bikes</i> can charge prices which are competitive against rivals such as Halfords and JE James (AO3a). This expertise means that bikes can be produced more cheaply than in a UK factory, even when transportation costs from China are taken into account (AO3a). The most appropriate option for <i>Frog Bikes</i> is to build the UK factory. In addition to the costs benefit, the reputational benefit it will gain will help to give a competitive advantage over other retailers such as Halfords (AO3b). The best option is to stick with the Chinese factory. The business is doing well and is becoming more successful, so this factory, and its staff, are getting things right. Shifting to the UK could be expensive as well as destabilising (AO3b). 		(9) A02=3 A03a=3 A03b=3
Level	Mark	Descriptor	
	0	No rewardable material.	
Level 1	1-3	<ul style="list-style-type: none"> Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a). Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made (AO3b). 	
Level 2	4-6	<ul style="list-style-type: none"> Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a). Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made (AO3b). 	
Level 3	7-9	<ul style="list-style-type: none"> Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a). Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made (AO3b). 	

Section C

Question number	Answer	Mark
7(a)	<p>Award one mark for stating one fixed cost that <i>Good and Proper Tea</i> will need to pay.</p> <p>Insurance on the van (1). Rent on a parking space (1). Emilie's salary (1).</p> <p>Accept any other appropriate response. Do not accept fixed costs that would not be appropriate for <i>Good and Proper Tea</i>.</p>	(1) A02

Question number	Answer	Mark
7(b)	2009	(1) A02

Question number	Answer	Mark
7(c)	<p>Award up to 2 marks for linked points outlining an impact of changing consumer income on <i>Good and Proper Tea</i>. Award a maximum of 1 mark if points are not linked.</p> <p>If incomes are rising people will have more disposable income (1). This will mean that luxuries, such as <i>Good and Proper Tea</i>, are more likely to become popular and sales may increase (1).</p> <p>Falling incomes means people will have less disposable income (1) and may resort to cheaper types of tea, rather than higher quality products like <i>Good and Proper Tea</i> (1).</p> <p>Do not accept impacts that would not be appropriate for a <i>Good and Proper Tea</i>. For example, the demand for all foods will rise.</p>	(2) A02

Question number	Indicative content	Mark
7(d)	<ul style="list-style-type: none"> Buying its tea from cheaper suppliers will be a good option for <i>Good and Proper Tea</i> because this will allow it to keep its prices as low as possible in its competitive market (AO2). As a high quality, luxury product, <i>Good and Proper Tea</i> should be able to charge higher prices for its tea without deterring its market segments (AO2). This means <i>Good and Proper Tea</i> could target a wider range of customers and different market segments, rather than being a high priced, café and product (AO3a). The type of customer that buys expensive, gourmet tea, will not be put off by an increase in price. They choose <i>Good and Proper Tea</i> because of the quality and provenance of its products (AO3a). However, <i>Good and Proper Tea</i> needs to be aware that the market for coffee shops and cafes is very competitive and it must avoid becoming one of a similar type of retailer. Changing suppliers to reduce costs may damage its reputation (AO3b). However, <i>Good and Proper Tea</i> does need to pay some attention to the market and cannot continually increase the price of its tea. This risks putting off customers who might otherwise have tried its teas and potentially become repeat customers (AO3b). 	(9) AO2=3 AO3a=3 AO3b=3

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-3	<ul style="list-style-type: none"> Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a). Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made (AO3b).
Level 2	4-6	<ul style="list-style-type: none"> Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a). Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made (AO3b).
Level 3	7-9	<ul style="list-style-type: none"> Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a). Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made (AO3b).

Question number	Indicative content	Mark
7(e)	<ul style="list-style-type: none"> • Crowd funding is an effective source of finance because it means that finance can be raised without any repayments being required, as would be the case if Emilie were to choose a bank loan (AO1b). • There are a wide range of sources of finance that are appropriate for <i>Good and Proper Tea</i>, including bank loans and share issue (AO1b). • As <i>Good and Proper Tea</i> is a new business it will require finance to expand and grow. Crowd funding can be highly effective for such a business as it can keep fixed costs to a minimum (AO2). • Crowd funding can help to raise the profile of <i>Good and Proper Tea</i>, in addition to raising the finance. With 372 investors, these individuals will play an important part in promoting the business (AO2). • As a relatively new start-up, <i>Good and Proper Tea</i> needs to keep costs as low as possible in the short term so it can establish itself in the market. Crowd funding is an effective way of doing this as the people taking the risk are the investors (AO3a). • As <i>Good and Proper Tea</i> is a new business, with a number of competitors, such promotion will be useful (AO3a). • However, crowd funding does mean that the profits of <i>Good and Proper Tea</i> will need to be shared with the investors. As the business had 372 backers, this will mean that the profits Emilie earns will be shared between a larger number of people (AO3b). • However, whether crowd funding is the best source of finance depends on the objectives of Emilie. The 372 investors have only risked their stake, for some as low as £1, and they are unlikely to be experts in the market (AO3b). 	<p>(12) AO1b=3 AO2=3 AO3a=3 AO3b=3</p>

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-4	<ul style="list-style-type: none"> • Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used (AO1b). • Limited application of knowledge and understanding of business concepts and issues to the business context (AO2). • Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a). • Draws a conclusion, supported by generic assertions from limited evaluation of business information and issues (AO3b).
Level 2	5-8	<ul style="list-style-type: none"> • Demonstrates mostly accurate knowledge and understanding of business concepts and issues, including appropriate use of business terminology in places (AO1b). • Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2). • Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a) • Draws a conclusion based on sound evaluation of business information and issues (AO3b).
Level 3	9-12	<ul style="list-style-type: none"> • Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology (AO1b). • Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2). • Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a). • Draws a valid and well-reasoned conclusion based on a thorough evaluation of business information and issues (AO3b).