

Example Candidate Responses

Cambridge IGCSE®

Business Studies **0450**

Paper 2



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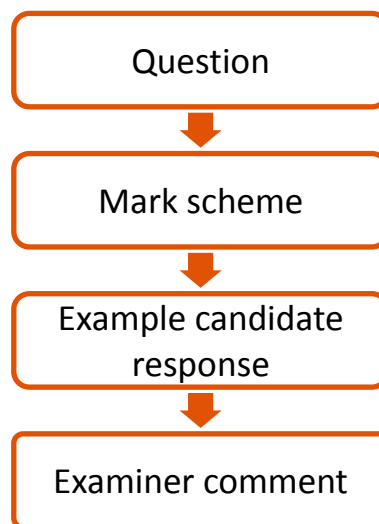
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Introduction

The main aim of this booklet is to exemplify standards for those teaching Cambridge IGCSE Business Studies (0450) Paper 2, and to show how different levels of candidates' performance relate to the subject's curriculum and assessment objectives. There is a separate booklet for Paper 1.

In this booklet candidate responses have been chosen to exemplify a range of answers. Each response is accompanied by a brief commentary explaining the strengths and weaknesses of the answers.

For ease of reference the following format for each component has been adopted:



Each question is followed by an extract of the mark scheme used by examiners. This, in turn, is followed by examples of marked candidate responses, each with an examiner comment on performance. Comments are given to indicate where and why marks were awarded, and how additional marks could have been obtained. In this way, it is possible to understand what candidates have done to gain their marks and what they still have to do to improve them.

This document illustrates the standard of candidate work for those parts of the assessment which help teachers assess what is required to achieve certain grades beyond what should be clear from the mark scheme. Some question types where the answer is clear from the mark scheme, such as short answers and multiple choice, have therefore been omitted.

Past papers, Examiner Reports and other teacher support materials are available on Teacher Support at <https://teachers.cie.org.uk>

Assessment at a glance

All candidates take two components, Paper 1 and Paper 2.

All candidates take:		and:	
Paper 1	1 hour 30 minutes	Paper 2	1 hour 30 minutes
Written paper	50%	Written paper	50%
80 marks		80 marks	
Four questions requiring a mixture of short answers and structured data responses		Four questions based on a case study, provided as an insert with the paper	
Candidates answer all questions		Candidates answer all questions	
Externally assessed		Externally assessed	

Paper 2

Frozen Fancies (FF)

Frozen Fancies (FF) is a partnership owned by Samah and Selina. The business was started five years ago after Samah and Selina were able to borrow finance easily from the bank. FF produces ice-cream in country X. The ice-cream is made from high quality ingredients and is sold at a high price. These ingredients are bought from a supplier which is located near FF's factory. Samah and Selina have always used this supplier since they started and have been pleased with the high quality ingredients even though they are expensive.

Sales increased for the first four years. This increase in sales was greater than FF had planned for. Last year the sales started to fall as a multinational food company set up an ice-cream factory and started selling ice-cream in country X. This ice-cream is not high quality and sells at prices below those of FF. FF targets a market segment of high income consumers and intends to keep selling its ice-cream for a high price.

FF's ice-cream is in high demand for 6 months but demand is lower for the rest of the year. The factory has 100 full-time production workers when it is busy but half of these workers are made redundant during less busy months.

FF plans to launch a new ice-cream flavour onto the market. It must decide between strawberry flavour and coconut flavour. The development of the new product will be financed by FF taking out a bank loan.

Appendix 1

New City News

1 May 2015

A multinational food producing company has set up in country X. This is good for the unemployed. It is also increasing economic growth leading to further economic development for the country. The Government has built new roads to improve distribution.

However, some businesses did not like this multinational opening a new factory as it has increased wages of other businesses in country X.

Appendix 2

ABC Ice-cream Ingredients

We supply ingredients at low prices

All our products are quality assured

We comply with all Government
regulations on food standards

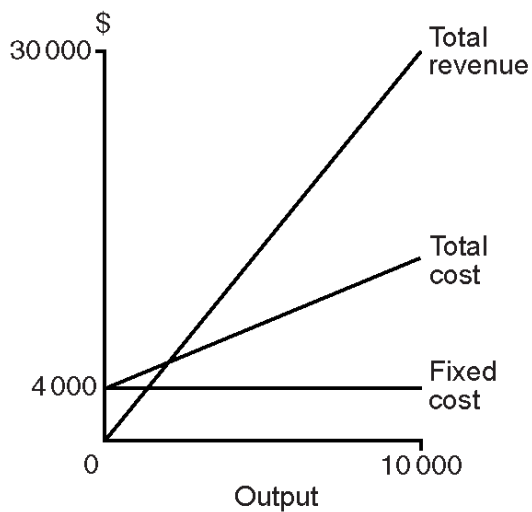
Free delivery to your business
once a week

Appendix 3

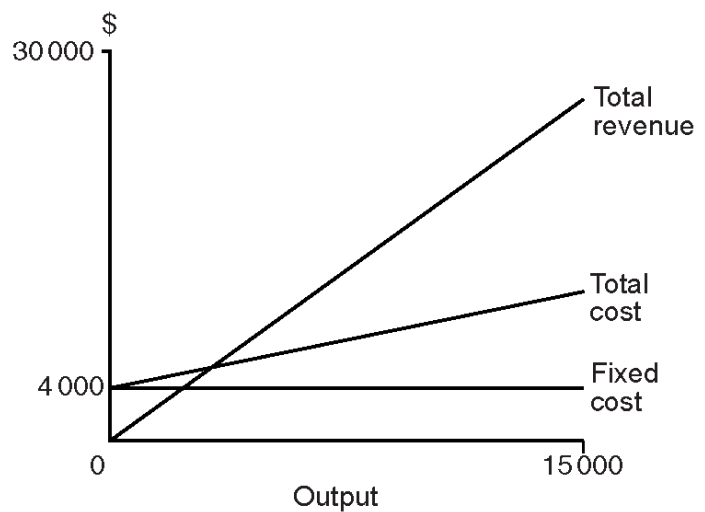
Financial information for the two new ice-creams

	Variable cost per ice-cream	Price per ice-cream	Estimated average sales per week
Option A Ice-cream strawberry flavour	\$1	\$3	10 000
Option B Ice-cream coconut flavour	\$0.50	\$1.75	15 000

Option A:
Break-even chart for strawberry flavour ice-cream



Option B:
Break-even chart for coconut flavour ice-cream



Question 1 (a)

- 1 (a) Samah and Selina wrote a business plan before FF started trading 5 years ago. Identify and explain **two** ways their business plan might have helped to make the business successful.

Way 1:

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Explanation:

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Way 2:

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Explanation:

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Mark scheme

- 1 (a) Samah and Selina wrote a business plan before FF started trading 5 years ago. Identify and explain two ways their business plan might have helped to make the business successful. [8]

Knowledge [2 × 1] – award one mark for each relevant way

Analysis [2 × 1] – award one mark for a relevant explanation for each way

Application [2 × 2] – award two application marks for each way

Award one mark for each relevant way (maximum of two), such as:

- It helps to secure a bank loan or overdraft
- The entrepreneur thinks ahead and plans out carefully the next few years
- Reduces risks of failure as the owners have thought through problems the business might have
- To clarify the aims and objectives / targets to aim for
- Aids financial planning

Award a maximum of three additional marks for **each** explanation – **2 of which must be applied to this context** - of the way a business plan might help make the business successful.

Indicative response:

A business plan reduces risk for the business (k) as Samah and Selina will have thought through problems such as where to source their ingredients for the ice cream and what it will cost them (ap). This will allow them to prepare for any problems and stop these causing difficulties for the business (an). This might include preparing for cash flow problems at times of the year when demand is low (ap).

Possible application marks: partnership; produces ice cream; high quality ingredients; expensive ingredients; ice cream sold for a high price; borrow finance easily from the bank; sales increased for four years; demand high for 6 months; cost / revenue data from appendix 3; new products / flavours; redundant workers; have taken out a bank loan; high income consumers.

There may be other examples in context which have not been included here.

Example candidate response – high

- 1 (a) Samah and Selina wrote a business plan before FF started trading 5 years ago. Identify and explain **two** ways their business plan might have helped to make the business successful.

Way 1: A reassurance for investors

Explanation: The business plan can detail predicted sales in future months, especially the summer months when ice cream sales are high, and this might make more investors (bank) inclined to lend them money. The loan can then be used to ^{willing} produce the new flavour ice cream.

Way 2: A clear plan of what the business plans to achieve for employees.

Explanation: It can ~~not~~ help employees understand what the company seeks to achieve and work to fulfill those goals. This may promote efficiency if employees know that some of them may be made redundant in the coming months for fear of losing their jobs. They may also understand the importance of the quality required and focus on that instead of quantity/speed. [8]

Examiner comment – high

The question requires the candidate to list two ways a business plan helped the business in the context to be successful. This candidate has listed two relevant ways and then goes on to explain how these ways have helped the business, such as 'might make more investors (bank) willing to lend them money' and 'employees understand what the company seeks to achieve and work to fulfil those goals.' Both explanations are clearly in the context of the business as they refer to the nature of the product produced and recognise that sales are seasonal, which has consequences for jobs in this business, as well as understanding that they need to maintain high quality in the production process.

Marks awarded for Knowledge and Analysis: 4/4

Marks awarded for Application: 4/4

Total marks awarded: 8 out of 8

Example candidate response – middle

- 1 (a) Samah and Selina wrote a business plan before FF started trading 5 years ago. Identify and explain **two** ways their business plan might have helped to make the business successful.

Way 1: Setting objectives & aims for the business to achieve.

Explanation: A business plan would set out the objectives that needed to be met by the business in order for it to keep running successfully. This would enable FF to work towards a certain goal & have the motives made clear & prevent any confusion.

Way 2: Allowed them to take a loan from the bank easily.

Explanation: A business plan is presented when applying for a loan would have made the bank less reluctant to give it & since all the details are laid out it is easier for the bank to give them the loan to finance the business as ^{the bank} ~~it~~ would be ^{more assured} ~~paid back~~ that they will pay ^{back} ~~it~~.

Examiner comment – middle

Two clear ways of a business plan helping to make a business successful are identified and explained. However, for the candidate to raise their marks still further the answer would need to be in the context of an ice-cream manufacturer. This answer is generic and could apply to any type of business. The answer could have referred to, for example, the business only being five years old and a partnership, that it manufactures high quality ice-cream and purchases high quality ingredients, a new flavour is being developed and a bank loan is needed.

Marks awarded for Knowledge and Analysis: **4/4**

Marks awarded for Application: **0/4**

Total marks awarded: 4 out of 8

Example candidate response – low

- 1 (a) Samah and Selina wrote a business plan before FF started trading 5 years ago. Identify and explain **two** ways their business plan might have helped to make the business successful.

Way 1: Following plans is more suited. As you follow your own rules

Explanation: Setting out your own plan and following them is crucial for a business to survive or to be successful. ~~as~~ ~~you are not~~ which also means that you would not cross the limits of your spendings, everything beforehand is planned and if followed your objectives would be easily fulfilled.

Way 2: Business objectives

Explanation: Setting out objectives is an important part of any one who starts their business as you improve and focus on ~~the main goals~~ ~~to~~ either being a better brand image or increasing profits.

[8]

Examiner comment – low

The first answer is not clearly identified under the heading Way 1, however it does then go on to identify that a business plan helps a business to limit its spending and follow its objectives to help it survive. Therefore two marks for one way and an explanation of how that way helps to make the business successful can be awarded. The second answer is really a repeat of the first and needed to be different to gain further credit. If the second way had been a separate point and the answer had been in the context of the ice-cream business then further credit could have been awarded.

Marks awarded for Knowledge and Analysis: **2/4**

Marks awarded for Application: **0/4**

Total marks awarded: 2 out of 8

Question 1 (b)

- (b)** Consider the advantages to FF of employing full-time workers and the advantages to FF of employing part-time workers. Do you think a combination of these two types of workers would be best? Justify your answer.

Advantages of full-time workers:

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Advantages of part-time workers:

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Conclusion:

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Mark scheme

- (b) Consider the advantages to FF of employing full-time workers and the advantages to FF of employing part-time workers. Do you think a combination of these two types of workers would be best? Justify your answer. [12]

Relevant points might include:

	Advantages
Full-time workers	Likely to be better trained More committed to the business More likely to be trained / skilled than part-time workers Feel secure in job – more motivated (although several made redundant)
Part-time workers	More flexible hours Easier to extend hours at busy times Accept lower pay as fits in with family commitments

Knowledge / Analysis / Evaluation – award up to 10 marks using the levels-based mark scheme below.

	Knowledge / Analysis / Evaluation
Level 3	At least 2 × Level 2 + 9–10 marks for well justified recommendation as to the best type of worker to employ compared to the other type of worker. 7–8 marks for some limited judgement shown in recommendation as to the best type of worker to employ.
Level 2	4–6 marks Detailed discussion of advantages of part-time and / or full-time workers.
Level 1	1–3 marks Outline of advantages of part-time and / or full-time workers.

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. part-time workers are more flexible in the hours they are willing to work.

Level 2 – one L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. part-time workers are more flexible in the hours they are willing to work. This will allow Samah and Selina to reduce the hours of these workers when demand for ice cream is low for 6 months of the year, thus reducing wage costs (4 marks for L2 answer + 1 application mark for mentioning ice cream and demand being low for 6 months of the year).

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies which is the best combination to choose.

Award up to 2 additional marks for relevant application.

Mark scheme, continued

Possible application marks: produces ice cream; ice cream sold for a high price; borrow finance easily from the bank; multinational food company; sales increased for four years; demand high for 6 months; workers made redundant each year; 100 full-time production workers; cost / revenue data from appendix 3; new products.

There may be other examples in context which have not been included here.

Example candidate response – high

- (b) Consider the advantages to FF of employing full-time workers and the advantages to FF of employing part-time workers. Do you think a combination of these two types of workers would be best? Justify your answer.

Advantages of full-time workers: Full time workers are usually more motivated as they benefit from the motivation provided to them. This may help increase productivity in the factory which will help FF to sell further ice creams. Full time workers are cheaper to employ in the long run as part time workers charge a higher price per hour. ~~Training~~ They may be more loyal and work honestly for the business ~~is usually offered to full time workers which can~~ due to the job security of full time working which is provided to them ~~increase skill in the firm and will cause a reduction in mistakes~~

Advantages of part-time workers: Part time workers can be employed at times in the year when demand is high thus wages only have to be paid to them during those few months which will reduce labour costs for FF and help them meet excessive demands during high seasons as they will be selling more ice creams. Part time workers do are not usually given extra motivation benefits which will reduce overheads and help increase Net profit margin.

Conclusion:

Yes a combination of the 2 types of workers is the best choice. During peak seasons Samah and Selina could hire part time workers to increase production of ice creams rather than paying overtime to full time workers which could cause exhaustion and reduced productivity and labour costs will be low as part time workers are only paid wage for few months. [12]

Examiner comment – high

The question requires candidates to consider the benefits of employing either full-time or part-time workers and then recommending whether or not to employ both types of workers. This answer has explained advantages of both full-time and part-time workers well, which gained all of the Level 2 marks available. The answer was well applied throughout by referring to the sale of ice-cream and the seasonal nature of production. The recommendation is justified in suggesting that both types of workers should be employed and summarising the reasons why this decision was made. To gain full marks the recommendation would have required a further point to justify the decision.

Marks awarded for Knowledge, Analysis and Evaluation: **9/10**

Marks awarded for Application: **2/2**

Total marks awarded: 11 out of 12

Example candidate response – middle

- (b) Consider the advantages to FF of employing full-time workers and the advantages to FF of employing part-time workers. Do you think a combination of these two types of workers would be best? Justify your answer.

Advantages of full-time workers: Full time workers are a lot more dedicated compared to the part-time workers. They will more likely be working more efficiently and produce for ice-cream for FF. When you have a full time worker, he or she are more likely to be better and more skilled at that job compared to a part time worker.

Advantages of part-time workers: Part time workers are good for businesses such as FF because they will more likely be more motivated compared to the full time workers. They are also easier to lay off if the business ~~does~~ starts to do poorly.

Conclusion: Having better workers in a business is always good, but since FF has to lay off some of ~~its~~ its workers at different times of the year that means that FF should best hire both full time workers and part time. They can keep the full time workers and lay off the part time workers. It is better to keep people who are more experienced and are dedicated. [12]

Examiner comment – middle

The advantages for both types of workers are listed but not explained which leaves this part of the answer in the Level 1 band. Explanation of why these are advantages to this business would have raised the marks to the Level 2 band. The recommendation could only be awarded Level 2 and not Level 3 because the earlier parts of the answer did not contain analysis of the advantages. The advantages of full-time workers and the conclusion are applied to this context by referring to ice-cream production and the seasonal nature of production. To gain higher marks the advantages needed to be explained and then the recommendation could have contained justification from the earlier analysis and gained Level 3.

Marks awarded for Knowledge, Analysis and Evaluation: **4/10**

Marks awarded for Application: **2/2**

Total marks awarded: 6 out of 12

Example candidate response – low

- (b) Consider the advantages to FF of employing full-time workers and the advantages to FF of employing part-time workers. Do you think a combination of these two types of workers would be best? Justify your answer.

Advantages of full-time workers: full time workers gain more experience and become more familiar with the working environment. So they can handle situations well, and they can build good relationships with customers due to their full time work, and they can help instruct new workers and employees,

Advantages of part-time workers: they work with all their energy because it's only a part time so they try to do their best, and they can bring new ways and methods of how to approach a customer because they may work some place else

Conclusion: having a mixture of both would benefit the business, because they both have critical advantages and they complement each other, and their advantages differ meaning that the business would gain both sets of advantages

[12]

Examiner comment – low

The candidate lists advantages for each type of worker such as they are familiar with the work and can handle situations well, they can train other workers, and bring new ways of working to this business. These are Level 1 statements. To raise this answer to Level 2 the candidate would have needed to explain why these are advantages to this business such as being able to train workers will save FF the costs of training thus reducing expenses and increasing profit for the partners. The recommendation is vague and just states 'having a mixture of both' and this is not justified. Just making a recommendation is not sufficient to gain credit; it only gains credit when it is justified.

Marks awarded for Knowledge, Analysis and Evaluation: **3/10**

Marks awarded for Application: **0/2**

Total marks awarded: 3 out of 12

Question 2 (a)

- 2 (a) Identify and explain **two** benefits to FF of targeting a specific market segment for its products.

Benefit 1:

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Explanation:

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Benefit 2:

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Explanation:

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.....[8]

Mark scheme

2 (a) Identify and explain two benefits to FF of targeting a specific market segment for its products. [8]

Knowledge [2 × 1] – award one mark for each relevant benefit

Analysis [2 × 1] – award one mark for a relevant explanation for each benefit

Application [2 × 2] – award two application marks for each benefit

Award one mark for each relevant benefit (maximum of two), such as:

- makes advertising / promotion more effective
- a more focused marketing mix
- product meets customer needs of specific niche
- price suitable for target market
- suitable channel of distribution chosen
- meets specific customer needs
- more effective use of marketing budget
- more likely to have higher sales to that target market
- lower competition in a specific market

N.B. the discussion should focus on marketing as opposed to production

Award a maximum of three additional marks for **each** explanation – **2 of which must be applied to this context** - of the benefit of targeting a specific market segment for its products.

Indicative response:

The marketing mix is likely to be more effective (k) because FF has identified the particular high income customers (ap) who are likely to buy their ice cream. The advertising can be in a form which reaches these target customers and so make the promotion more effective [an]. The cost of promotion is likely to be more cost effective in turning advertising expenditure into sales of ice cream (ap).

Possible application marks: produces ice cream; high quality ingredients; expensive ingredients; ice cream sold for a high price; sales increased for four years; increasing economic growth leading to economic development; high income customers; essential / luxury products;

There may be other examples in context which have not been included here.

Example candidate response – high

- 2 (a) Identify and explain two ^{marketing} benefits to FF of targeting a specific market segment for its products.

Benefit 1: ~~marketing~~ expenditure is ~~tendered~~ rendered cost-effective.

Explanation: If FF targets a specific segment like high income consumers, it means that all marketing efforts including advertising campaigns, promotional sales and pricing will all focus on them ~~as~~ according to their luxury life-style. ~~and~~ By doing so, marketing expenditure will be made cost-effective and costs will be ~~as~~ minimised for Samah and Selina.

Benefit 2: help to develop new ~~ice~~ ice cream products

Explanation: A specific market segment normally shares a common yet distinct taste of things. By identifying the market segment, Samah and Selina could have an idea of their customers' common likes and dislikes. Hence, ~~A~~ Samah and Selina launch a suitable new ice cream product for ~~them~~ and increase their sales.
 their consumers [8]

Examiner comment – high

This question requires the candidate to list two benefits to the business of targeting a niche market rather than the mass market. This candidate has listed two relevant benefits and then goes on to explain how these benefits have helped the business, for example 'made the marketing more effective' and 'understand customer needs and wants'. Both benefits are in the context of this ice-cream manufacturer which is targeting high income consumers and by doing so they can better meet customer wants, hence increasing sales. The answer could have been raised to full marks if the first benefit had focussed the explanation on marketing to high income customers and therefore made it more applied to this target market.

Marks awarded for Knowledge and Analysis: 4/4

Marks awarded for Application: 3/4

Total marks awarded: 7 out of 8

Example candidate response – middle

- 2 (a) Identify and explain two benefits to FF of targeting a specific market segment for its products.

Benefit 1: They can meet to the specific needs and wants of their customer.

Explanation: It increases customer loyalty as it gives them customer satisfaction. So having their needs and wants met. Thus even though their prices might go up, customers will remain loyal, improving its reputation and brand image.

Benefit 2: A larger market share

Explanation: They will own a larger market share as they found a gap in the market. Thus higher sales revenue. They will be known for their product in their particular market without competing with other brands. With lower competitiveness, FF can dominate the market.

[8]

Examiner comment – middle

Two benefits of targeting a niche market are identified and explained – ‘meet specific customer needs and identify a gap in the market’. However, this answer is generic and could apply to any business. For the candidate to raise their marks still further the answer would need to be clearly in the context of an ice-cream manufacturer. The answer could have referred to for example, the business being a relatively new business and still a small partnership, it purchases high quality ingredients and sells its ice-cream at high prices and a new flavour is being developed.

Marks awarded for Knowledge and Analysis: 4/4

Marks awarded for Application: 0/4

Total mark awarded: 4 out of 8

Example candidate response – low

- 2 (a) Identify and explain two benefits to FF of targeting a specific market segment for its products.

Benefit 1: You'll find the right buyer

Explanation: If you start up your business in an open market, there are less chance of it being successful, if its in the ~~the~~ targeted market then you have higher chance of finding the right audience

Benefit 2: more profit as correct market

Explanation: as its the correct market, less trouble ~~agreement~~ between ~~workers~~ finding the buyers. more investors and people to buy your product. higher sales.

[8]

Examiner comment – low

The benefits are not clearly identified under the headings Benefit 1 and Benefit 2, however the answer does then go on to identify that a business has a higher chance of finding the right customers and more likely to have higher sales. Therefore two marks for each benefit can be awarded but the explanation of the benefits is too brief and vague to gain further credit. The answer is generic and if it had been in the context of the ice-cream business then further credit could have been given for application.

Marks awarded for Knowledge and Analysis: **2/4**

Marks awarded for Application: **0/4**

Total marks awarded: 2 out of 8

Question 2 (b)

- (b) Samah and Selina will want to promote the new flavour of ice-cream. Consider the advantages and disadvantages of the following **three** methods of promotion. Recommend which is the best method for Samah and Selina to use. Justify your answer.

Advertising on social networks:

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Handing out leaflets with a discount offer on them:

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Giving out free samples in shopping malls:

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Recommendation:

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[12]

Mark scheme

- (b) Samah and Selina will want to promote the new flavour of ice cream. Consider the advantages and disadvantages of the following three methods of promotion. Recommend which is the best method for Samah and Selina to use. Justify your answer. [12]

Relevant points might include:

	Advantages	Disadvantages
Advertising on social networks	Can reach a specific target market Cheap method of advertising	May not reach the target market being aimed at Sponsored links can be expensive
Handing out leaflets with a discount offer on them	Cheap to produce Encourages purchases with discount	Loss of revenue with the discount Leaflets can be discarded
Giving out free samples in shopping malls	Encourages customers to try the product Realise how nice it tastes Increases awareness of the new product	Cost of employing additional staff and cost of the product to give out free

Knowledge / Analysis / Evaluation – award up to 10 marks using the levels-based mark scheme below.

	Knowledge / Analysis / Evaluation
Level 3	At least 2 × Level 2 + 9–10 marks for well justified recommendation as to the best method of promotion compared to the other methods. 7–8 marks for some limited judgement shown in recommendation as to the best method of promotion.
Level 2	4–6 marks Detailed discussion of advantages and / or disadvantages of the ways to promote the new product.
Level 1	1–3 marks Outline of the advantages and / or disadvantages of the ways to promote the new product.

Mark scheme, continued

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. can reach a specific target market on social networking sites.

Level 2 – one L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. can reach a specific target market on social networking sites. This is a quick and cheap way of reaching a large number of potential customers. However, as the ice cream is expensive and aimed at high income groups they may not be the sort of people who use Facebook and therefore this method will not reach the intended target market. (4 marks for L2 answer + 1 application mark for mentioning high income customers buying ice cream).

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies which is the best method to choose.

Award up to 2 additional marks for relevant application.

Possible application marks: produces ice cream; high quality ingredients; expensive ingredients; ice cream sold for a high price; multinational food company; taste new flavours; sales increased for four years; demand high for 6 months; new product financed by bank loan.

There may be other examples in context which have not been included here.

Example candidate response – high

- (b) Samah and Selina will want to promote the new flavour of ice-cream. Consider the advantages and disadvantages of the following **three** methods of promotion. Recommend which is the best method for Samah and Selina to use. Justify your answer.

Advertising on social networks: The advantages of advertising on social networks are that it's free in some place, some with cheap advertising and people will see it and might want to try. People might try to find the new flavour and try it and may like it. Disadvantages are that it may not reach out to the company's target group.

Handing out leaflets with a discount offer on them: Advantage of this is that people would like to try new things at a cheap price, getting a discount on new flavour will encourage customers to try and leaflets will promote and create brand images. Disadvantage is that there will be cost on printing leaflets and discount, people might just take it and throw it away, need to give on the right target because the ice-cream is expensive.

Giving out free samples in shopping malls: Advantages of giving out free samples are that people will be able to try, in this case if people try the new flavour and like it, encourages the consumers to buy the product and customers loyalty. However giving out free samples will ~~be~~ be expensive because lots of ice-cream will be given out and it's expensive to be made, also cost on both of ice-cream. Some people might try it but not buying because expensive or dislike.

Recommendation: In conclusion I think that the best way to promote is giving out free samples. Even though the ice-cream are expensive to be made but giving free samples, consumers will be able to try without spending anything and may like it and order the new flavour. It is worth a try and spending on ice-cream is better than to waste it on leaflets, use that money on the new flavoured ice-cream. [12]

Examiner comment – high

This question requires candidates to compare three different methods of promotion that this business could use for its new flavour of ice-cream, then select one method as the most suitable and justify this chosen method with why the alternatives were rejected. This candidate gives advantages and disadvantages for all three methods and gains Level 2 for each method. The question mentions the new flavour of ice-cream and so this cannot be credited with application marks in the discussion of the answer. The second method does identify that the ice-cream is expensive and is targeted at a specific market and so application can be credited for this part of the answer. Reference, such as to tasting the ice-cream, needing to increase sales as they had fallen the last year or competition from the multinational food company could have gained further application marks. Level 3 was awarded in the recommendation for a justified selection of a method and a brief comment on why the alternatives were rejected. To raise the marks to full marks the answer would need to be more applied and the recommendation would need to have more explanation of why the alternative methods were less suitable than the chosen method.

Marks awarded for Knowledge, Analysis and Evaluation: **8/10**

Marks awarded for Application: **1/2**

Total marks awarded: 9 out of 12

Example candidate response – middle

- (b) Samah and Selina will want to promote the new flavour of ice-cream. Consider the advantages and disadvantages of the following **three** methods of promotion. Recommend which is the best method for Samah and Selina to use. Justify your answer.

Advertising on social networks: Since a lot of people are using social network these days, it will benefit them ~~as~~ since the chances of it getting highly ~~known~~ known or recognised is high. Therefore a lot of people will gain interest of buying the product. Especially those who use a specific social network -

Handing out leaflets with a discount offer on them: ~~Advertisement~~ It is eye catching ~~to~~ to customer since a discount offer is offered. A lot of people might be interested since they have the opportunity to buy the product at a lower prices.

Giving out free samples in shopping malls: people could actually taste the product and may have thoughts of buying it. This will increase chances since customers ~~are~~ get to taste it and get to know the quality that it is offering - leading to new customers, since ~~the~~ ~~products~~ the products may suit ~~is~~ their liking.

Recommendation: Giving out free samples in shopping malls. This will actually introduce the new flavour the best. since customer gets to try the quality of the ice cream. Rather than having to only see it in pictures. And finding out that the ice cream is actually worth of buying rather than having to buy it of discounts. [12]

Examiner comment – middle

The candidate gives advantages for each of the methods of promotion and the third method is explained in sufficient detail to just gain Level 2. However, to gain Level 2 for the other methods the candidate could also consider the disadvantages of each of these methods. The recommendation does make a justified selection and so gains additional credit at Level 2. For the marks to be raised further the answer should have included disadvantages of each method as this helps when weighing up which is the better method to choose. Application was present in that the candidate recognised that this was a food product and that taste was important for customers. Further application would have also raised the marks higher.

Marks awarded for Knowledge, Analysis and Evaluation: **5/10**

Marks awarded for Application: **1/2**

Total marks awarded: 6 out of 12

Example candidate response – low

- (b) Samah and Selina will want to promote the new flavour of ice-cream. Consider the advantages and disadvantages of the following **three** methods of promotion. Recommend which is the best method for Samah and Selina to use. Justify your answer.

Advertising on social networks:

- more trust in brand
- brand becomes well known and will be noticed
- costly
- may annoy people as we hate social media adverts
- chance

Handing out leaflets with a discount offer on them:

- direct address so less chances of forgetting
- won't go unnoticed
- people may not care
- time consuming
- costly

Giving out free samples in shopping malls:

- direct address so less likely to forget
- most likely to attract customers
- costly
- time consuming
- address less people

Recommendation: advertising on social media because it will be seen by a wide variety and people are ~~less~~ likely to forget but they will have better brand image and will attract customers.

[12]

Examiner comment – low

The candidate lists several points for each of the methods and so gains all three of the Level 1 marks available. For the answer to move to Level 2 the points need to be developed and explained. Without Level 2 then Level 3 cannot be awarded. A generic answer will not gain application marks and if the answer had been in the context of this business then further marks could have been gained.

Marks awarded for Knowledge, Analysis and Evaluation: **3/10**

Marks awarded for Application: **0/2**

Total marks awarded: 3 out of 12

Question 3 (a)

- 3 (a) Samah and Selina are considering buying ingredients from another supplier called ABC (see Appendix 2). Identify and explain **one** advantage and **one** disadvantage to FF of changing to ABC.

Advantage:

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Explanation:

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Disadvantage:

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Explanation:

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.....[8]

Mark scheme

- 3 (a) Samah and Selina are considering buying ingredients from another supplier called ABC (see Appendix 2). Identify and explain one advantage and one disadvantage to FF of changing to ABC. [8]

Knowledge [2 × 1] – award one mark for each relevant advantage / disadvantage

Analysis [2 × 1] – award one mark for a relevant explanation for each advantage / disadvantage

Application [2 × 2] – award two application marks for each advantage / disadvantage

Award one mark for each relevant advantage / disadvantage (maximum of one each), such as:

Advantage	Lower costs / free delivery Reduce prices and possibly increase sales Increase profits Comply with government standards
Disadvantage	Reduce quality Reduce reputation for high quality product leading to lower sales Only deliver once a week Already have a good relationship with current supplier

Award a maximum of three additional marks for **each** explanation – **2 of which must be applied to this context** – of the advantage / disadvantage to the business of changing supplier.

Indicative response:

To lower costs of ingredients (k) which will allow Samah and Selina to reduce the price of the ice cream (ap) and possibly lead to an increase in sales [an]. However, as the ice cream is high quality the customers may not want to buy it if it is cheaper(ap).

Possible application marks: business 5 years old; produces ice cream; high quality ingredients; expensive ingredients; ice cream sold for a high price; multinational food company; supplier located near to factory; sales increased for four years; demand high for 6 months; free delivery; ABC only deliver once a week; any reference to details in Appendix 2; taste of product.

There may be other examples in context which have not been included here.

Example candidate response – high

- 3 (a) Samah and Selina are considering buying ingredients from another supplier called ABC (see Appendix 2). Identify and explain **one** advantage and **one** disadvantage to FF of changing to ABC.

Advantage: Reduces the cost of production.

Explanation: ABC's ~~ice cream~~ ingredients are comparatively cheaper than the previous supplier. Moreover, it also has free delivery once a week consequently reducing the cost of production that would increase the net profit if the sales were maintained.

Disadvantage: Could reduce sales.

Explanation: As the quality of ABC's ice cream ingredients are ~~not~~ as high as the previous supplier and quality is a very important aspect of FF company as they are selling it to high income consumers. This would reduce sales due to poor quality or change in quality of the ingredients. [8]

Examiner comment – high

This question requires candidates to consider the information provided in Appendix 2 and then explain which points will be beneficial for the business if it changes to the new supplier and which points may have disadvantages. This candidate has identified the advantage of reducing costs and then explained it in context. The disadvantage of possibly reduced quality of ingredients has also been explained in context in that the product is sold to high income customers and if quality is not maintained then these customers may buy their ice-cream from a competitor. A well explained and well applied answer.

Marks awarded for Knowledge and Analysis: 4/4

Marks awarded for Application: 4/4

Total marks awarded: 8 out of 8

Example candidate response – middle

- 3 (a) Samah and Selina are considering buying ingredients from another supplier called ABC (see Appendix 2). Identify and explain **one** advantage and **one** disadvantage to FF of changing to ABC.

Advantage: ~~The products are quality assured~~
~~and~~ the delivery is free once a week

Explanation: Samah and Selina can benefit from this because at the day the delivery will be free is the day that they will gain more ~~sales~~ revenue due to that they can use the money saved for expansion or improving existing shops

Disadvantage: They supply ingredients at low prices which mean they might be a low quality

Explanation: Samah and Selina can save money but they always have been good due to their high quality ingredients so some customers might leave them for another competitor and their sale and revenue might fall [8]

Examiner comment – middle

The candidate outlines the advantage of free delivery once a week and explains that this means costs are saved. The answer would have been better to explain that lower delivery costs would increase profit rather than revenue would be higher. The context does not state that the business has shops and so improving shops is not seen as application. The disadvantage of possibly lower quality ingredients leading to losing customers who expect high quality ice-cream meant that both the disadvantage and the explanation could be credited, and as it was in context then an application mark could also be awarded. Further explanation of the advantage and disadvantage in context of this business would have raised these marks still further.

Marks awarded for Knowledge and Analysis: 4/4

Marks awarded for Application: 1/4

Total marks awarded: 5 out of 8

Example candidate response – low

- 3 (a) Samah and Selina are considering buying ingredients from another supplier called ABC (see Appendix 2). Identify and explain **one** advantage and **one** disadvantage to FF of changing to ABC.

Advantage: low prices but good quality

Explanation: the costs for the business will go down

Disadvantage: Trust issues as its new business

Explanation: you may not trust the business as you have no idea how reliable they are

.....[8]

Examiner comment – low

This candidate identified from Appendix 2 that although the prices are low the quality is still assured. The answer would have benefited from this being made clearer by saying the ingredients are quality assured as well as saying they are good quality. The advantage of lower costs as a result of the lower ingredient prices was identified, as was the disadvantage of the unknown reliability of the new supplier. Further explanation and further application to this business would have raised the marks for this answer.

Marks awarded for Knowledge and Analysis: **3/4**

Marks awarded for Application: **0/4**

Total marks awarded: 3 out of 8

Question 3 (b)

- (b)** Samah and Selina want to start selling a new flavour of ice-cream. Consider the **two** options outlined in Appendix 3. Recommend which one they should choose. Justify your answer.

Option A:

[illegible]

Option B:

[illegible]

Recommendation:

[12]

Mark scheme

- (b) Samah and Selina want to start selling a new flavour of ice cream. Consider the two options outlined in Appendix 3. Recommend which one they should choose. Justify your answer. [12]

Relevant points might include:

	Advantages	Disadvantages
Option A Strawberry– flavour	Break even at a lower output of 2 000 Profit is higher	Higher price might not sell all output
Option B Coconut– flavour	Higher sales predicted Lower production costs	Slower to breakeven – 3 200

	Revenue	Total Cost	Contribution	B / E	Profit
Option A Strawberry	30 000 (L1)	14 000 (L1)	2(L1)	2 000 (L2)	16 000 (L2)
	GPM = 66.7% (L2)	NPM = 53.3%(L2)			GP 20 000 (L1)
Option B Coconut	26 250 (L1)	11 500 (L1)	1.25(L1)	3 200(L2)	14 750 (L2)
	GPM = 71.4% (L2)	NPM = 56.1% (L2)			GP 18 750 (L1)

Knowledge / Analysis / Evaluation – award up to 10 marks using the levels-based mark scheme below.

Mark scheme, continued

	Knowledge / Analysis / Evaluation
Level 3	At least 2 × Level 2 + 9-10 marks for well justified recommendation as to the best option to choose compared to the other option. 7–8 marks for some limited judgement shown in recommendation as to the best option to choose.
Level 2	4–6 marks Break-even output and / or profit and / or profit margins correctly calculated.
Level 1	1–3 marks Outline of advantages and / or disadvantages of both options.

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. Option A has higher variable costs than Option B.

Level 2 – one L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. Option A has higher variable costs, a higher price and FF can break-even more quickly at 2 000 units of ice cream (4 marks for L2 answer + 1 application mark for mentioning units of ice cream).

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies which is the best option to choose.

Award up to 2 additional marks for relevant application.

Possible application marks: high quality ingredients; expensive ingredients; demand high for 6 months; strawberry flavour; coconut flavour; may need bank loan.
There may be other examples in context which have not been included here.

Example candidate response – high

- (b) Samah and Selina want to start selling a new flavour of ice-cream. Consider the two options outlined in Appendix 3. Recommend which one they should choose. Justify your answer.

Option A: The strawberry flavoured ice cream has a breakeven of 2000 units ($4000 \div 2$). Total costs of the firm new flavour for the week is \$14000 ($10000 + 4000$). Total Revenue is 30000 (3×10000). Thus total profit of flavour is \$16000 ($30000 - 14000$). Net profit margin is $16000 \div 30000 \times 100 = 53.3\%$, which is satisfying.
~~Cost to Revenue ratio~~
 $\text{Cost to Revenue \%} = 46.7\%$

Option B: The coconut flavour ice cream has a breakeven of 3200 units ($4000 \div 1.25$). Total ^{weekly} costs are \$11500 ($7500 + 4000$). Total revenue is 26250 (1.75×15000). Thus total ^{weekly} profit is $26250 - 11500 = \$14750$. Net profit margin is $14750 \div 26250 = 56.2\%$, which is higher than strawberry flavour.
 $\text{Cost to Revenue ratio} = 11500 \div 26250 \times 100 = 43.8\%$

Recommendation: FF firm should choose the coconut flavour because it has a higher profit ratio, lower cost ratio. And even the price is comparatively lower which could attract further segments and consumers to try out the ice cream as all consumers are interested in value for money. ~~But sadly it has a greater breakeven figure than strawberry ice creams.~~ ^{Also estimated sales} [12]
 which means it has to sell more products to neutralize costs.

Examiner comment – high

This question required candidates to compare the two options for a new flavour of ice-cream and, after calculating the profitability and/or break-even outputs, deciding which will be the better flavour to start producing. This candidate correctly calculates the break-even output for both flavours and also the net profit and net profit margin. The cost to revenue calculation was not credited but gross profit margin would have been credited if it had been in the answer. The answer was also clearly in the context of the two new flavours being considered and so all of the Level 2 marks and the application marks available were achieved. Level 3 required a selection and justification of the best flavour to start producing. The candidate makes a decision to choose coconut flavour because the profit margin is higher but then does identify that the break-even output is at a higher level. The candidate ignores the fact that the profit earned is higher for strawberry flavour even though they have calculated this figure. For full marks at Level 3 the candidate could have made further comments on the figures calculated in weighing up and making a decision as to which flavour to produce. A decision at the end of the weighing up of the results of the calculations might have encouraged the candidate to make an overall decision firmly justified using the all the figures.

Marks awarded for Knowledge, Analysis and Evaluation: **8/10**

Marks awarded for Application: **2/2**

Total marks awarded: 10 out of 12

Example candidate response – middle

- (b) Samah and Selina want to start selling a new flavour of ice-cream. Consider the two options outlined in Appendix 3. Recommend which one they should choose. Justify your answer.

Option A: Strawberry flavour ice-cream will cost \$1 dollar to make it and is sold for \$3. The added value and the profit made by one ice-cream is \$2. The total cost for FF to make this ice-cream is \$14000. The ~~total~~ revenue profit earned for 10 000 ice creams per week is \$16 000. This flavour doesn't need that much output to reach the profits.

Option B: Coconut flavour ice cream will cost \$0.50 to make it and is sold for \$1.75. The added value and profit made per ice-cream is \$1.25. The total cost for FF to make this ice-cream is \$11 500. The profit earned for 15 000 ice-creams per week is less than that for strawberry flavour. More ice-creams have to be manufactured to reach profits.

Recommendation: I recommend Option A. Even though the cost for making that ice-cream is more than Option B, there will be more profits earned for fewer output than that of option B. This profits that is earned is a sign of success to the business and is a source of finance too.

[12]

Examiner comment – middle

This candidate makes use of the figures in Appendix 3 but only carries out one calculation, that of working out the profit for strawberry ice-cream which earns one Level 2 mark. Therefore, the discussion and recommendation is limited. The consideration is clearly in the context of the two flavours of ice-cream and so application marks were achieved. To raise the marks still further the candidate could have made more use of the financial information provided to come to a justified recommendation using the results of the calculations.

Marks awarded for Knowledge, Analysis and Evaluation: **4/10**

Marks awarded for Application: **2/2**

Total marks awarded: 6 out of 12

Example candidate response – low

- (b) Samah and Selina want to start selling a new flavour of ice-cream. Consider the **two** options outlined in Appendix 3. Recommend which one they should choose. Justify your answer.

Option A: The cost for one is higher but the profit on it is higher too. The sales are 5000 units lower but the profit is \$0.75 per unit ~~per~~ more than other option

Option B: prices are lower but the ~~price~~ profit is lower too. ~~The~~ The cost might attract more customers and they sell 5000 units more than the other one every week but they make much less profit.

Recommendation: I would recommend FF to go for option 'A' as it might be costly but at the end you make a higher profit than the other option.

[12]

Examiner comment – low

This candidate makes very limited use of the figures in Appendix 3 and does not carry out any calculations of profit or the break-even output. Therefore, the discussion and recommendation is limited to Level 1 credit as the statements are comparisons of the figures provided in Appendix 3 but no calculations are attempted. Application marks could have been achieved if the discussion had been in the context of the two new flavours of ice-cream. To raise the marks still further the candidate could have made more use of the financial information provided to come to a justified recommendation.

Marks awarded for Knowledge, Analysis and Evaluation: **3/10**

Marks awarded for Application: **0/2**

Total marks awarded: 3 out of 12

Question 4 (a)

- 4 (a) The Government of country X has recently increased interest rates. Identify and explain **two** ways an increase in interest rates might affect FF.

Way 1:

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Explanation:

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Way 2:

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Explanation:

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.....[8]

Mark scheme

- 4 (a) The Government of country X has recently increased interest rates. Identify and explain two ways an increase in interest rates might affect FF. [8]

Knowledge [2 × 1] – award one mark for each relevant way

Analysis [2 × 1] – award one mark for a relevant explanation for each way

Application [2 × 2] – award two application marks for each way

Award one mark for each relevant way (maximum of two), such as:

- Increased cost of new bank loan
- Increased cost of overdraft
- Higher mortgage costs for customers reduce spending
- Lower sales as consumers reduce spending
- Lower profits as costs higher
- Higher interest rates attract more savings from customer or company

Award a maximum of three additional marks – **2 of which must be applied to this context** – for **each** explanation.

Indicative response:

Increased cost of a new bank loan [k] will raise costs as interest rates paid on the loan will be higher than before (an). This may reduce profit for FF if it cannot increase the price of its ice cream [ap]. However, because the ice cream is high quality may be able to increase its prices without losing many sales (ap).

Possible application marks: produces ice cream; high quality ingredients; expensive ingredients; ice cream sold for a high price; borrow finance easily from the bank; sales increased for four years; new product financed by bank loan; cost / revenue data from Appendix 3.

There may be other examples in context which have not been included here.

Example candidate response – high

- 4 (a) The Government of country X has recently increased interest rates. Identify and explain two ways an increase in interest rates might affect FF.

Way 1: Bank loans more expensive

Explanation: The cost (interest) of taking out a loan will now be higher so FF may have a harder time paying it back especially if the new flavour does not increase revenue significantly or fails all-together. Long-term costs of the partnership would increase and this would reduce net profit earned.

Way 2: Less disposable income for customers

Explanation: Consumers will be more inclined to save rather than borrow or spend. As such, they may spend a smaller proportion of their income on quality ice cream, preferring cheaper brands which would not only decrease sales for FF, but also their market share to competitors.

[8]

Examiner comment – high

This question required candidates to identify two ways that an increase in interest rates might affect the business in the context. The candidate clearly identifies that bank loans will become more expensive which raises costs and increases the risks to the partnership if the new flavour of ice-cream does not raise sales sufficiently. This is a well applied and well explained effect. The second way is not identified under Way 2 but is explained further down the answer. The decrease in sales is the way the business is affected and this is as a result of increased savings. The marks could have been raised to full marks if the explanation of the second way had been more applied to this ice-cream business.

Marks awarded for Knowledge and Analysis: 4/4

Marks awarded for Application: 3/4

Total marks awarded: 7 out of 8

Example candidate response – middle

- 4 (a) The Government of country X has recently increased interest rates. Identify and explain two ways an increase in interest rates might affect FF.

Way 1: FF may borrow less from bank.

Explanation: Because the interest rates rise, so FF may not want to borrow too much because of high interest. It may cause them reduce advertising, cut wages, even force them to change a cheaper supplier.

Way 2: FF may save more profit.

Explanation: Because of the high interest rates, FF may want to save more into bank. So they may not have enough money to improve or develop a new product or buy more capital for producing to improve our prod.

[8]

Examiner comment – middle

The candidate gives two ways the business will be affected by the increase in interest rates, they are that it might reduce borrowing from the bank and it might save profit rather than reinvest it in the business. Both of these ways are explained but to raise the marks to full marks the answer should have been in the context of this business. This could be achieved by making clearer reference to the development of a new flavour of ice-cream by using a bank loan or the expensive nature of the product experiencing falling sales due to less income available to spend on luxuries after the increased cost of bank repayments for customers.

Marks awarded for Knowledge and Analysis: 4/4

Marks awarded for Application: 0/4

Total marks awarded: 4 out of 8

Example candidate response – low

- 4 (a) The Government of country X has recently increased interest rates. Identify and explain two ways an increase in interest rates might affect FF.

Way 1: The company has to bear more costs

Explanation: As the interest rate rises then the company would have to pay more compared to how much they ~~would~~ were paying before.

Way 2: Would not take no more loans because it's expensive.

Explanation: FF would not take any loans because the government has increased the interest rates so the company would not be willing to pay more interest on the loan as it would be expensive.

[8]

Examiner comment – low

The candidate identifies two ways a business might be affected by higher interest rates, for example higher costs (although the answer never actually says which costs are higher) and less likely to take out more loans. The explanation of the second way is really a repetition of the earlier point and would need to actually explain the point to gain further credit. The answer is generic and could apply to any business. To raise the marks the answer would need to be applied to the ice-cream business in the context and include further explanation of how these two ways would affect the business.

Marks awarded for Knowledge and Analysis: **2/4**

Marks awarded for Application: **0/4**

Total marks awarded: 2 out of 8

Question 4 (b)

- (b)** A multinational food company is producing and selling its products in country X (see Appendix 1). Consider the advantages and disadvantages to FF of this multinational operating in country X. Do you think it is beneficial to FF? Justify your answer.

Advantages to FF:

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Disadvantages to FF:

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Conclusion:

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[12]

Mark scheme

- (b) A multinational food company is producing and selling its products in country X (see Appendix 1). Consider the advantages and disadvantages to FF of this multinational operating in country X. Do you think it is beneficial to FF? Justify your answer [12]**

Relevant points might include:

Advantages	Disadvantages
<ul style="list-style-type: none"> Improved infrastructure / roads Jobs created – increase incomes – increased sales Low competition as targeting different market segment 	<ul style="list-style-type: none"> Increased wages – due to increased demand Influence government and economy May only be unskilled workers so not much effect on spending Increased competition – local businesses may not be able to compete

Knowledge / Analysis / Evaluation – award up to 10 marks using the levels-based mark scheme below.

	Knowledge / Analysis / Evaluation
Level 3	<p>At least 2 × Level 2 + 9–10 marks for well justified recommendation as to whether the multinational will be beneficial to FF.</p> <p>7–8 marks for some limited judgement shown in recommendation as to whether the multinational will be beneficial to FF.</p>
Level 2	<p>4–6 marks</p> <p>Detailed discussion of advantages and / or disadvantages of the multinational company to FF.</p>
Level 1	<p>1–3 marks</p> <p>Outline of advantages and / or disadvantages of the multinational company to FF.</p>

Mark scheme, continued

Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. new jobs will be created in country X and so people will have higher incomes to spend.

Level 2 – one L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. new jobs will be created and this should increase GDP in country X. The increase in GDP will increase incomes for people who live in country X and they may have more disposable income to buy luxury products like expensive ice cream leading to increased sales for FF. (4 marks for L2 answer + 1 application mark for mentioning luxury products such as expensive ice cream).

Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a conclusion which justifies whether the multinational company will be beneficial to FF.

Award up to 2 additional marks for relevant application.

Possible application marks: partnership; business 5 years old; produces ice cream; high quality ingredients; expensive ingredients; ice cream sold for a high price; production workers; increasing economic growth leading to economic development; government has built new roads; cost / revenue data from Appendix 3; increased wages; job security.

There may be other examples in context which have not been included here.

Example candidate response – high

- (b) A multinational food company is producing and selling its products in country X (see Appendix 1). Consider the advantages and disadvantages to FF of this multinational operating in country X. Do you think it is beneficial to FF? Justify your answer.

Advantages to FF: The government improved roads (infrastructure) and this should reduce FF's transportation costs, which would lower their average costs. The increased competition would might cause external economies of scale which would also reduce costs. (More suppliers may locate there and offer cheaper prices for ingredients) The two businesses may partake in joint ventures and reduce market research and other costs as well.

Disadvantages to FF: The company caused increases in wages and this increases FF's variable costs. The firm may have to make more employees redundant and the redundancy costs will also add to their total costs. The food company might gain a large market share for ice cream by using competitive pricing and FF's high price products may lose sales significantly. The large company can easily afford market research and might gain the dominant share in the market with

Conclusion: FF's average costs are likely to decrease slightly but it is likely that the multinational will diminish their sales significantly. Overall, it is likely that FF will suffer more than it will gain and Samah and Selina may end up needing to 'go public,' losing their great control over their business and might even get taken over by the food company in later years.

[12]

Examiner comment – high

This question requires candidates to consider whether or not the overall effects of a multinational opening up in competition with the business in the context will be beneficial. The candidate explains the advantages and disadvantages of this in some detail and in context: the candidate has recognised that there will be new roads built but wages will increase due to the influence of the multinational and that the two businesses sell ice-cream targeted at different market segments. The answer gains Level 2 credit and both application marks. The recommendation briefly weighs up the benefits of possibly lower costs against lower sales and then makes a decision that the business will be worse off after the multinational opens in country X. To gain full marks the candidate could have explained in more detail why the overall effect might be worse for the business.

Marks awarded for Knowledge, Analysis and Evaluation: **8/10**

Marks awarded for Application: **2/2**

Total marks awarded: 10 out of 12

Example candidate response – middle

- (b) A multinational food company is producing and selling its products in country X (see Appendix 1). Consider the advantages and disadvantages to FF of this multinational operating in country X. Do you think it is beneficial to FF? Justify your answer.

Advantages to FF: More people have money to spend with the higher increasing economic growth and less unemployed. People in country X would have more income and FF target high income people as well, so FF can increase number of sales. As the demands are falling last 6 months, this opportunity might be great to FF to increase demands. Maybe if FF is more well known in the future, FF might join the multinational food to sell and expand business to other countries also.

Disadvantages to FF: FF needs to pay the higher wages to employees and the government is now focusing on building new roads to improve for the multinational food. This can increase number of the competitors to FF business.

Conclusion: More benefit I think, because the higher wages that FF needs to pay to employees do not affect FF much because as the economic growth increases more people would buy the products as ice cream as customers have higher income which is FF target.

FF might be able to join multinational food in the future to expand the business to other countries which is more successful.

[12]

Examiner comment – middle

The advantage is explained in the context of this business as it recognises that there will be increased economic growth as a result of the multinational and that the business targets high income customers leading to increased sales for the business. Therefore, Level 2 is awarded as well as an application mark for the advantage. The disadvantage is in context as it recognises that wages will increase due to the multinational. The disadvantages are a series of statements and if they had been developed, such as higher wages would have increased the costs to the business leading to lower profit or higher prices, which might reduce sales, then Level 2 could have been awarded for the disadvantages. There is only one Level 2 awarded for the consideration of the advantages and disadvantages, therefore Level 3 cannot be awarded for the recommendation as insufficient analysis has been included before the recommendation is made. However, a further Level 2 is awarded for a justified conclusion in context.

Marks awarded for Knowledge, Analysis and Evaluation: **5/10**

Marks awarded for Application: **2/2**

Total marks awarded: 7 out of 12

Example candidate response – low

- (b) A multinational food company is producing and selling its products in country X (see Appendix 1). Consider the advantages and disadvantages to FF of this multinational operating in country X. Do you think it is beneficial to FF? Justify your answer.

Advantages to FF: We know that the ice-cream from multinational company is not high quality, although the prices below those of FF, some people who want high quality goods still will buy ice-cream from FF. Moreover, compare with low quality ice-cream, those high-quality ice-cream from FF will boost their brand image to improve sales.

Disadvantages to FF: Because the prices of multinational food company ice-cream are lower than those of FF, some people who want to save money may tend to buy cheaper one. Moreover, new company also need workers, so when FF need more worker, the labour supply may not enough.

Conclusion: Although the new company may improve FF's brand image (reason is in above), it still will reduce the sales of FF and reduce the market share of FF. Therefore, I believe that multinational operating in country X benefited a little, but it also hurt a lot of FF such as less market share and less sales.

[12]

Examiner comment – low

The advantage outlined is not clear as to why this would benefit the business and improve sales. The disadvantages of increased competition and shortage of labour are stated and gain Level 1 credit. There is some application to this context as the answer recognises that the prices of the multinational's products are lower than those of FF, because FF produces a higher quality product. A conclusion should weigh up the earlier points to make the final judgement and this requires that the earlier points are explained and not just listed for this to be carried out effectively. For higher marks this answer should include an explanation of the points as to why they are advantages and disadvantages, apply more of the points to this business in the context and include a final evaluation that weighs up the earlier advantages and disadvantages before coming to a recommendation.

Marks awarded for Knowledge, Analysis and Evaluation: **3/10**

Marks awarded for Application: **1/2**

Total marks awarded: 4 out of 12

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