



National
Qualifications
SPECIMEN ONLY

S810/75/11

Business Management

Date — Not applicable

Duration — 2 hours

Total marks — 90

SECTION 1 — 40 marks

Attempt BOTH questions.

SECTION 2 — 50 marks

Attempt ALL questions.

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

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

You may use a calculator.

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

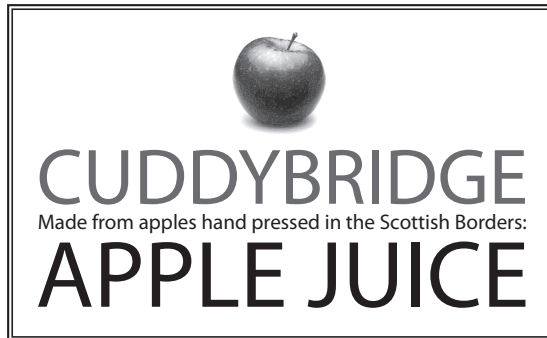


* S 8 1 0 7 5 1 1 *

SECTION 1 — 40 marks
Attempt BOTH questions

Background

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



Production

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

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

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

The top three product trends with fast paced growth:



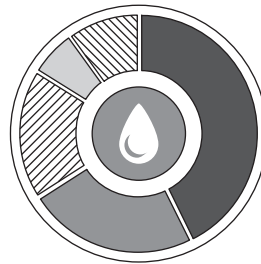
Vegetable Nutrition - New products with vegetables as an ingredient have seen 43% growth rate between 2012 and 2015



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



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



UK soft drinks sectors

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

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

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

[Turn over

STAND OUT

In 2021, a unique sock brand, called Stand Out Socks, was launched in Warrington, England. It was set up by two brothers, Christian and Ross Laing with the main aim to raise awareness of disability. In addition, they wanted to create job opportunities for those with learning disabilities.

The inspiration for socks came about as individuals with Down Syndrome are born with an additional chromosome, which visually resembles a miniature sock under the microscope. The company sells its bright patterned socks and hoodies online. They have a variety of styles to suit both adults and kids.

The pair were catapulted to fame after they appeared on BBC One's Dragons' Den looking for an investment of £30,000 for a 25 per cent share in the business from one of the Dragons. They were successful in their pitch and the episode which aired on 4 January 2024 saw them secure funding from both Peter Jones and Steven Bartlett who each invested £15,000 in return for 12.5 per cent shares in Stand Out Socks.

The Dragons' Den appearance put a spotlight on Stand Out Socks, generating overwhelming interest from customers. The company's commitment to inclusivity and empowerment was further showcased as they announced the addition of two more staff members with Down Syndrome into paid part-time roles.

Exhibit 1 – A recent post on X

Stand Out Socks @StandOutSocksUK • Feb 24

Limited Time Left On Our Dragons' Den Bundle Discount!!

Head to the website for details!!

<https://standoutsocks.co.uk/products/the-d...>

#StandOutSocks
#DownSyndromeAwareness
#DisabilityInclusion
#DragonsDen

15% OFF

2 8 14 742

Exhibit 2 – An extract from webpage

Kids Socks

Explore Our Kid's Sock Collection – Perfect for Little Feet!

Discover a variety of kids' socks, from Lucky Cat-themed to funky 90s retro-inspired styles. Each design is meticulously crafted by our team, offering cool, colourful, and funky choices.

Stand Out Socks make ideal gifts for birthdays and Christmas, providing comfort and style.

FILTER BY: All products v SORT BY: Featured v 6 products

Kids Lucky Cat Socks
£4.95

Kids Cloud 9 Socks
£4.95

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

2. (a) From the case study, give an example for each of the following elements of the marketing mix:
- Product
 - Place
 - Promotion
- (b) Describe methods of selection that could be used by Stand Out Socks to select new employees.
- (c) (i) Name the type of training given to new employees.
- (ii) Discuss the use of **one** other type of training.
- (d) (i) From the case study, identify **one** stakeholder of Stand Out Socks.
- (ii) Describe the interests of the stakeholder identified in d(i).
- (e) Other than investors buying shares, describe sources of finance available to Stand Out Socks.
- (f) Describe the benefits of using social media in advertising.

[Turn over

SECTION 2 — 50 marks

Attempt ALL questions

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

6. Cash Budget for Blooming Florist Ltd

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

- (a) (i) From the cash budget, calculate the missing information at A and B. 2
- (ii) From the cash budget, name the missing information at C. 1
- (b) Draw and label a breakeven chart. 4
- (c) Outline the purpose of producing an Income Statement. 3
7. (a) Describe the factors that would be considered before choosing a supplier of raw materials. 4
- (b) Explain the problems that could be encountered if an organisation:
- overstocks
 - understocks. 3
- (c) Describe how technology could be used in the operations department. 3

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Business Management

Marking Instructions

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

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General marking principles for National 5 Business Management

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

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

Up to the total mark allocation for this question:

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

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

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

Up to the total mark allocation for this question:

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

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

Up to the total mark allocation for this question:

- 1 mark should be given for each compared point

Where a mark is available for the development of a response this is exemplified in the marking instructions, a hollow bullet point is used to show the developed response.

Marking instructions for each question

Section 1

Question			Expected response(s)	Max mark	Additional guidance
1.	(a)	(i)	<p>From the case study, identify one way that Cuddybridge is ethical in its production.</p> <ul style="list-style-type: none"> • they do not add any artificial colourings etc • they recycle their waste by turning it into feed for pigs • using labour rather than machines (hand pressed) 	1	<p>Award 1 mark for correct identification.</p> <p>Answers must be identifiable from the case study.</p>
		(ii)	<p>Justify the importance of ethical production.</p> <ul style="list-style-type: none"> • limits the amount of waste going to landfill • helps to win awards • reduces costs/increases costs • can charge a higher price • improves the image of the organisation <ul style="list-style-type: none"> ○ this could increase sales/profits • can be used as a USP <ul style="list-style-type: none"> ○ can give a competitive edge 	3	<p>Award 1 mark for each valid justification.</p> <p>Award 1 mark for each valid development.</p> <p>Do not award both increase and decrease costs unless they are qualified.</p> <p>Accept any suitable response.</p>

Question		Expected response(s)	Max mark	Additional guidance																		
(b)		<p>Compare job production with flow production.</p> <table border="1"> <thead> <tr> <th>Job Production</th> <th></th> <th>Flow Production</th> </tr> </thead> <tbody> <tr> <td>more labour intensive</td> <td rowspan="8" style="text-align: center; vertical-align: middle;">whereas</td> <td>more capital intensive</td> </tr> <tr> <td>one product is made at a time</td> <td>multiple products are made at a time</td> </tr> <tr> <td>uses skilled labour</td> <td>uses unskilled labour</td> </tr> <tr> <td>production costs are higher</td> <td>can spread cost over multiple units/can benefit from economies of scale</td> </tr> <tr> <td>can customise individual products</td> <td>creates standardised products</td> </tr> <tr> <td>more motivating as the product changes</td> <td>less motivating as task is repetitive</td> </tr> <tr> <td colspan="2">both can be expensive in terms of staff training and machinery</td> </tr> </tbody> </table>	Job Production		Flow Production	more labour intensive	whereas	more capital intensive	one product is made at a time	multiple products are made at a time	uses skilled labour	uses unskilled labour	production costs are higher	can spread cost over multiple units/can benefit from economies of scale	can customise individual products	creates standardised products	more motivating as the product changes	less motivating as task is repetitive	both can be expensive in terms of staff training and machinery		3	<p>Candidates must make 3 comparisons to gain full marks.</p> <p>Candidates must demonstrate a true comparison in order to gain marks. Both sides of the point must be clear but do not need to be linked.</p> <p>Award 1 mark for each valid comparison.</p> <p>Accept any other suitable response.</p>
Job Production		Flow Production																				
more labour intensive	whereas	more capital intensive																				
one product is made at a time		multiple products are made at a time																				
uses skilled labour		uses unskilled labour																				
production costs are higher		can spread cost over multiple units/can benefit from economies of scale																				
can customise individual products		creates standardised products																				
more motivating as the product changes		less motivating as task is repetitive																				
both can be expensive in terms of staff training and machinery																						
(c)		(i)	<p>Using the case study, identify reasons why Cuddybridge started producing apple juice.</p> <ul style="list-style-type: none"> • more profitable to produce than cider • 67% of customers rated 'all natural' as the most interesting products • 60% globally say they are interested in products with proven health benefits 	2	<p>Candidates must identify 2 reasons to gain full marks.</p> <p>Answers must be identifiable from the case study.</p>																	

Question	Expected response(s)	Max mark	Additional guidance
(ii)	<p>Explain how external factors could affect the success of Cuddybridge.</p> <p>Political</p> <ul style="list-style-type: none"> • changes in laws may prevent Cuddybridge from operating - which will result in it having to spend extra finance to comply with the changes • local council may refuse to give planning permission - which means that the company cannot grow <p>Economic</p> <ul style="list-style-type: none"> • there may be a reduction in consumer spending due to recession - which will reduce sales • cost of producing the apple juice may rise due to inflation - which will increase variable costs <p>Social</p> <ul style="list-style-type: none"> • there may be an increase in publicity about healthy drinks - which may increase sales <p>Technological</p> <ul style="list-style-type: none"> • a new piece of equipment may become available - which would increase the speed of the pressing <p>Environmental</p> <ul style="list-style-type: none"> • weather may be bad - which could result in a shortage of apples <ul style="list-style-type: none"> ○ this could halt production • there may be increased consumer awareness of environmental issues - which may mean Cuddybridge may have to adapt packaging <p>Competitive</p> <ul style="list-style-type: none"> • competitors may lower their price - which would mean a loss in sales • may need to reduce price to retain customers - decreasing profits 	5	<p>Candidates must explain effect of at least 2 external factors to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>Accept any other suitable response.</p>

Question		Expected response(s)	Max mark	Additional guidance	
	(d)	<p>Describe methods that Cuddybridge could use to ensure the quality of its apple juice.</p> <p>Quality Assurance</p> <ul style="list-style-type: none"> • checking at every stage of the production process • to ensure 'right first time' and prevent errors <p>Quality Control</p> <ul style="list-style-type: none"> • checking at (the beginning and) the end of production process only <p>Quality Inputs</p> <ul style="list-style-type: none"> • raw materials need to be quality in order to obtain a quality final product • all staff must be trained so they are competent and are all working to the same quality standards • machines need to be maintained so that they do not make mistakes affecting quality 	3	<p>Candidates must describe at least 2 methods to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p> <p>Accept any other suitable response.</p>	
	(e)	(i)	<p>Name a suitable method of distribution for Cuddybridge Apple Juice.</p> <ul style="list-style-type: none"> • road 	1	<p>Award 1 mark for a correct name.</p> <p>DNA air or sea.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(ii)	<p>Justify the method identified in (e)(i).</p> <ul style="list-style-type: none"> • juice is delivered directly to the customer (door to door) • juice can be transported in refrigerated vans • Cuddybridge can deliver at any time of the day or night • clients are local so air/sea is not suitable 	2	<p>Award 1 mark for a valid justification.</p> <p>Award 1 mark for a valid development.</p> <p>Easy/quick/cheap should be qualified or should show a comparator statement.</p> <p>Accept consequentiality from (e)(i).</p> <p>Accept any other suitable response.</p>

Question		Expected response(s)	Max mark	Additional guidance
2.	(a)	<p>From the case study, give an example for each of the following elements of the marketing mix:</p> <p>Product</p> <ul style="list-style-type: none"> • socks • hoodies <p>Place</p> <ul style="list-style-type: none"> • online <p>Promotion</p> <ul style="list-style-type: none"> • 15% discount • social media advertising • television appearance (Dragons' Den) 	3	<p>Candidates must give one example for each of the 3 elements of the marketing mix.</p> <p>Award 1 mark for each valid example.</p>

Question	Expected response(s)	Max mark	Additional guidance
(b)	<p>Describe methods of selection that could be used by Stand Out Socks to select new employees.</p> <p>Application form/CV</p> <ul style="list-style-type: none"> • document which contains personal information on a candidate <ul style="list-style-type: none"> ○ they can be used to compare against the person specification ○ can be used to decide who is short listed for interview/who is rejected <p>Interview</p> <ul style="list-style-type: none"> • a face-to-face meeting where an applicant is asked questions <ul style="list-style-type: none"> ○ allows the organisation to ask a series of questions to all applicants to allow for comparisons ○ allows the organisation to assess the candidate's appearance/personality ○ allows the organisation to question the content of the cv/application form ○ allows a candidate to ask questions <p>Reference</p> <ul style="list-style-type: none"> • a written or oral report on the work ethic of an applicant provided by a previous employer <ul style="list-style-type: none"> ○ provides key information on attendance, attitude, time-keeping ○ usually written by a past employer ○ allows an organisation to confirm the content of a cv/application form <p>Testing</p> <ul style="list-style-type: none"> • a physical or mental challenge for the applicant <ul style="list-style-type: none"> ○ these provide additional information on a candidate's suitability ○ an organisation can see how a candidate copes under pressure 	4	<p>Candidates must describe at least 2 methods of selection to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>Accept any other suitable response.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(c) (i)	<p>Name the type of training given to new employees.</p> <ul style="list-style-type: none"> • induction 	1	Award 1 mark for a valid identification.
	(ii)	<p>Discuss the use of one other type of training.</p> <p>On the Job</p> <p>Advantages</p> <ul style="list-style-type: none"> • employees become familiar with surroundings • may be cheaper than other forms of training <ul style="list-style-type: none"> ○ as existing staff can train others • employees are productive during training • training is specific to the organisation • takes place in work time <ul style="list-style-type: none"> ○ so employees may be happy to take part <p>Disadvantages</p> <ul style="list-style-type: none"> • takes a current employee away from production <ul style="list-style-type: none"> ○ reduces the amount produced • employees may make mistakes whilst learning <ul style="list-style-type: none"> ○ results in increased wastage/lower customer satisfaction 	3	<p>Award 1 mark for each valid discussion point.</p> <p>Award 1 mark for a valid development.</p> <p>Accept consequentiality on induction training.</p> <p>Accept any other suitable response.</p>

Question	Expected response(s)	Max mark	Additional guidance
	<p>Off the Job</p> <p>Advantages</p> <ul style="list-style-type: none"> • employees may gain a qualification <ul style="list-style-type: none"> ○ this could result in them being considered for promotion • wider range of skills can be gained <ul style="list-style-type: none"> ○ improves staff flexibility • can learn from outside experts <p>Disadvantages</p> <ul style="list-style-type: none"> • no production takes place • cost of the course/outside training providers <ul style="list-style-type: none"> ○ also pay for staff travel/accommodation expenses • may need to hire a supply/temporary worker 		

Question		Expected response(s)	Max mark	Additional guidance
	(d) (i)	<p>From the case study, identify one stakeholder of ‘Stand Out Socks’.</p> <ul style="list-style-type: none"> • owners/Investors • customers • employees 	1	Award 1 mark for a valid identification.
	(ii)	<p>Describe the interests of the stakeholder identified in d(i).</p> <p>Owners/Investors</p> <ul style="list-style-type: none"> • level of profit <ul style="list-style-type: none"> ○ to see a return on investment <p>Customers</p> <ul style="list-style-type: none"> • good quality product • value for money • suitable delivery options <p>Employees</p> <ul style="list-style-type: none"> • good rate of pay • good working conditions • job security • opportunities for promotion 	2	<p>Candidates must describe 2 interest of a stakeholder identified in d(i) to gain full marks.</p> <p>Award 1 mark for each valid description.</p>

Question	Expected response(s)	Max mark	Additional guidance
(e)	<p>Other than investors buying shares, describe sources of finance available to Stand Out Socks.</p> <p>Bank loan</p> <ul style="list-style-type: none"> • finance borrowed from a bank and repaid with interest <ul style="list-style-type: none"> ○ paid back in instalments <p>Grant</p> <ul style="list-style-type: none"> • money given to a business by the government that does not need to be repaid <ul style="list-style-type: none"> ○ complex paperwork will need to be completed ○ set criteria may need to be met <p>Overdraft</p> <ul style="list-style-type: none"> • can take more cash out than you have in your account <ul style="list-style-type: none"> ○ suitable for short-term cash flow problems ○ cash available quickly as it can be easily arranged in app/phone <p>Mortgage</p> <ul style="list-style-type: none"> • finance borrowed to purchase property <ul style="list-style-type: none"> ○ large amounts can be raised ○ can be paid over a very long period ○ interest is applied ○ property is secured against loan <p>Hire Purchase</p> <ul style="list-style-type: none"> • buying an asset/machinery in monthly instalments <ul style="list-style-type: none"> ○ asset is not owned until final payment ○ helps with cash flow 	4	<p>Candidates must describe at least 2 sources of finance to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>Watch for repetition.</p> <p>Accept any other suitable response.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(f)	<p>Describe the benefits of using social media in advertising.</p> <ul style="list-style-type: none"> • posts can be shared/go viral • allows for consumers to comment on posts • posts can be edited and updated at any time • can use video, images and sound to engage audience • can reach a wide geographic area • can target specific markets • free/low cost 	2	<p>Candidates must describe 2 benefits to gain full marks.</p> <p>Award 1 mark for each valid description.</p>

Section 2

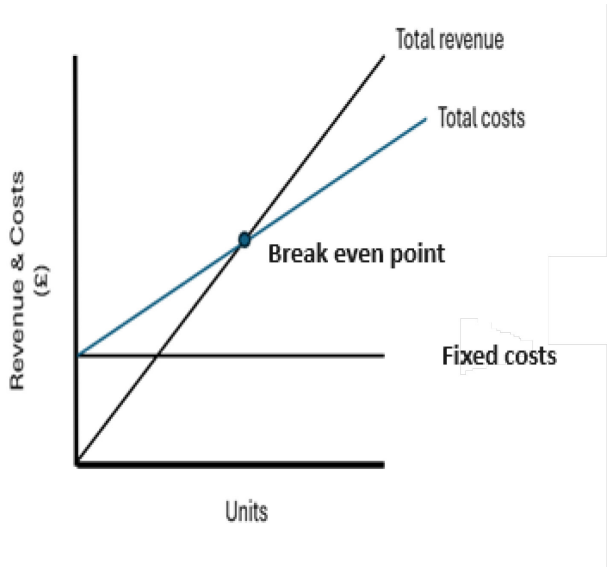
Question		Expected response(s)	Max mark	Additional guidance
3.	(a)	<p>Outline the objectives of the third sector.</p> <ul style="list-style-type: none"> • to provide a service • to raise awareness • to be socially responsible • to increase donations 	2	<p>Candidates must outline 2 objectives to gain full marks.</p> <p>Award 1 mark for each valid outline.</p>
	(b)	<p>Describe the ways in which an organisation could maximise customer satisfaction.</p> <ul style="list-style-type: none"> • provide staff training <ul style="list-style-type: none"> ○ so they are knowledgeable and can answer customer queries • recruiting suitable staff • maintain a clean environment • use high quality raw materials • employ extra staff to cover busy periods <ul style="list-style-type: none"> ○ this will reduce queues • use effective pricing strategies <ul style="list-style-type: none"> ○ this will provide value for money • provide a quick response to complaints • provide a good aftersales service • provide a customer complaints policy • get feedback from customers 	3	<p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>Accept any other suitable response.</p>

Question		Expected response(s)	Max mark	Additional guidance												
	(c)	<p>Distinguish between a sole trader and a private limited company.</p> <table border="1"> <thead> <tr> <th>SOLE TRADER</th> <th></th> <th>LTD</th> </tr> </thead> <tbody> <tr> <td>owned by one person</td> <td rowspan="4" style="text-align: center; vertical-align: middle;">whereas</td> <td>owned by shareholders</td> </tr> <tr> <td>has unlimited liability</td> <td>has limited liability</td> </tr> <tr> <td>does not require any formal paperwork</td> <td>must prepare formal documents to be sent to Register House</td> </tr> <tr> <td>keeps all profits</td> <td>splits profits (dividends) with the shareholders</td> </tr> </tbody> </table>	SOLE TRADER		LTD	owned by one person	whereas	owned by shareholders	has unlimited liability	has limited liability	does not require any formal paperwork	must prepare formal documents to be sent to Register House	keeps all profits	splits profits (dividends) with the shareholders	3	<p>Candidates must make 3 distinctions to gain full marks.</p> <p>Candidates must demonstrate a true difference in order to gain any mark. Both sides of the point must be clear but do not need to be linked.</p> <p>Award 1 mark for each valid distinction.</p> <p>Accept any other suitable response.</p>
SOLE TRADER		LTD														
owned by one person	whereas	owned by shareholders														
has unlimited liability		has limited liability														
does not require any formal paperwork		must prepare formal documents to be sent to Register House														
keeps all profits		splits profits (dividends) with the shareholders														
	(d)	<p>Outline the purpose of a business plan.</p> <ul style="list-style-type: none"> • to show to a potential investor • to show to the bank manger • to set/plan objectives • to estimate costs • to predict cash flow • to minimise risk • to monitor progress • to provide details on each element of the business 	2	<p>Award 1 mark for each valid outline.</p> <p>Accept any other suitable response.</p>												

Question			Expected response(s)	Max mark	Additional guidance
4.	(a)	(i)	<p>Outline the factors that would be considered before setting a price for a product.</p> <ul style="list-style-type: none"> • price what customers are willing to pay • competitor's prices • stage of the product life cycle • image of the product • cost of the raw materials • location of retail outlet/online presence 	3	<p>Candidates must outline at least 2 factors to gain full marks.</p> <p>Award 1 mark for each valid outline.</p> <p>Award 1 mark for a valid development.</p> <p>Accept any other suitable response.</p>
		(ii)	<p>Describe pricing strategies for a new product.</p> <p>premium/high price</p> <ul style="list-style-type: none"> • a high price/price is set higher than competitors' <p>competitive pricing</p> <ul style="list-style-type: none"> • prices are set a similar level to competitors' <p>low price</p> <ul style="list-style-type: none"> • prices are set lower than competitors' 	2	<p>Candidates must describe 2 pricing strategies to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Accept any suitable pricing tactic eg penetration, skimming etc.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(b)	<p>Explain the benefits of branding.</p> <ul style="list-style-type: none"> • brand loyalty - which means you are guaranteed returning customers <ul style="list-style-type: none"> ○ increasing sales/profits • brand recognition - so less advertising required • gives an illusion/image of quality - which means higher prices can be charged • easier to launch new products - due to customers being familiar with the brand <ul style="list-style-type: none"> ○ reduces need for advertising • customers will trust the brand - leading to increased sales 	3	<p>Candidates must explain at least 2 benefits to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for a valid development.</p> <p>Accept any other suitable response.</p>
	(c)	<p>Describe the ways an organisation can be ethical in its marketing activities.</p> <ul style="list-style-type: none"> • use technology to reduce the amount of paper used • ensure that adverts comply with discrimination laws (eg don't exploit women in adverts) • ensure that adverts do not give misleading information • ensure that adverts do not offend customers' beliefs • ensure that there are no hidden costs in adverts 	2	<p>Candidates must describe 2 ways to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Accept any other suitable response.</p>

Question		Expected response(s)	Max mark	Additional guidance
5.	(a)	<p>Outline the stages of the recruitment process.</p> <ul style="list-style-type: none"> • identify the vacancy • carry out a job analysis • create a job description • create a person specification • advertise the job • send out application forms 	4	<p>Candidates must outline at least 2 stages to gain full marks.</p> <p>Award 1 mark for each valid outline.</p> <p>Award 1 mark for each valid development.</p> <p>Accept the stages in any order.</p>
	(b)	<p>Describe payment systems used to calculate employee wages.</p> <ul style="list-style-type: none"> • piece rate - employee is paid for each item they produce • time rate - employee is paid for each hour they work • overtime - employee is paid for working more than their contracted hours <ul style="list-style-type: none"> ○ this could be paid at a higher rate eg time and a half, double time • bonus - an additional payment over and above normal salary • commission - employee is paid a percentage of their overall sales • salary - an annual amount paid in 12 equal instalments 	4	<p>Candidates must describe at least 2 payment systems to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p>
	(c)	<p>Identify 2 pieces of employment legislation.</p> <ul style="list-style-type: none"> • Equality Act • Health and Safety at Work Act • National Minimum Wage Regulations • National Living Wage Regulations 	2	<p>Candidates must identify 2 laws to gain full marks.</p> <p>Award 1 mark for each valid identification.</p> <p>Name must be accurate.</p> <p>Accept any other suitable response.</p>

Question			Expected response(s)	Max mark	Additional guidance
6.	(a)	(i)	<p>From the cash budget, calculate the missing information at A and B.</p> <p>A - £20,000 B - £8,000</p>	2	<p>Candidates must calculate both missing figures to gain full marks.</p> <p>Award 1 mark for each valid calculation.</p>
		(ii)	<p>From the cash budget, name the missing information at C.</p> <p>C - closing balance</p>	1	Award 1 mark for the correct name.
	(b)		<p>Draw and label a breakeven chart.</p>  <p>The chart is a coordinate system with a vertical axis labeled 'Revenue & Costs (£)' and a horizontal axis labeled 'Units'. Three lines are plotted: a horizontal line for 'Fixed costs' starting from the vertical axis; a diagonal line for 'Total revenue' starting from the origin; and another diagonal line for 'Total costs' starting from the same point on the vertical axis as the fixed costs line. The 'Total revenue' line is steeper than the 'Total costs' line. The point where the two diagonal lines intersect is marked with a blue dot and labeled 'Break even point'.</p>	4	<p>Award 1 mark for:</p> <ul style="list-style-type: none"> • total cost line • total revenue line • fixed costs line • axis labels and BEP label

Question		Expected response(s)	Max mark	Additional guidance
	(c)	<p>Outline the purpose of producing an Income Statement.</p> <ul style="list-style-type: none"> • to show net sales • to calculate the cost of sales • to calculate gross profit • to calculate the total cost of expenses • to calculate profit for the year • for legal reasons • to aid decision making • for tax reasons 	3	<p>Award 1 mark for each valid outline.</p> <p>DNA answers that relate to financial predictions.</p> <p>Accept any other suitable response.</p>

Question		Expected response(s)	Max mark	Additional guidance
7.	(a)	<p>Describe the factors that would be considered before choosing a supplier of raw materials.</p> <ul style="list-style-type: none"> • the price being charged <ul style="list-style-type: none"> ○ to ensure they are not too high to make profit • delivery time meets the needs of the organisation <ul style="list-style-type: none"> ○ so production is not halted • the length of credit period being offered by the supplier <ul style="list-style-type: none"> ○ to help cash flow • goods are of an acceptable quality • quality of the raw materials is consistent • the supplier can deliver the correct quantity • location of supplier as it will impact on delivery charges/time/carbon footprint • discounts that could be given for bulk buying • ability to deliver on time/reliable 	4	<p>Candidates must describe at least 2 factors to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>Accept any other suitable response.</p>

Question	Expected response(s)	Max mark	Additional guidance
(b)	<p>Explain the problems that could be encountered if an organisation:</p> <ul style="list-style-type: none"> • overstocks • understocks. <p>Overstocking</p> <ul style="list-style-type: none"> • increased cost of storage - which reduces profit • larger storage facility/warehouse required - will increase security costs <ul style="list-style-type: none"> ○ may also result in higher insurance costs • capital is tied up in inventory - which means that the finance cannot be used elsewhere • the inventory may deteriorate - resulting in higher wastage costs • changes in trends and fashion will mean that inventory might become obsolete - which means it will not be able to be sold • higher risk of theft - as it is less obvious that inventory has gone missing <p>Understocking</p> <ul style="list-style-type: none"> • becomes harder to cope with unexpected changes in demand - which means customers may go elsewhere to purchase the product <ul style="list-style-type: none"> ○ if customers go elsewhere they may lose them completely and not just the one time • production may have to stop completely - meaning paying for workers who are not producing any goods • need to continually order or restock - which can mean increased administration costs <ul style="list-style-type: none"> ○ increased transport costs • no bulk buying - therefore increased unit costs 	3	<p>Candidates must explain at least one problem of overstocking AND one problem of understocking to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for a valid development.</p> <p>DNA description of under/overstocking as an ID.</p> <p>Max 1 mark for increased costs.</p> <p>Accept any other suitable response.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(c)	<p>Describe how technology could be used in the operations department.</p> <p>Internet/Online</p> <ul style="list-style-type: none"> • to order raw materials • to compare prices of suppliers <p>Computer Aided Manufacture (CAM)</p> <ul style="list-style-type: none"> • can control the machinery in the production process <p>Barcodes/QR Codes</p> <ul style="list-style-type: none"> • can be used to track packages. <p>E-mail</p> <ul style="list-style-type: none"> • contact suppliers to order raw materials • contact customers to notify of order being dispatched <p>Databases</p> <ul style="list-style-type: none"> • to store records on suppliers • to store records of inventory <p>Word processing</p> <ul style="list-style-type: none"> • letters can be produced to send to suppliers • to create reports on production levels • to create a manual on how to check quality • to create a health and safety poster 	3	<p>Award 1 mark for each valid description.</p> <p>Accept any other suitable response.</p>

[END OF SPECIMEN MARKING INSTRUCTIONS]

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Change since last published:

Section 1 Question 2 and Section 2 reviewed and replaced in Question Paper and Marking Instructions