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CAMBRIDGE
International Education

Cambridge IGCSE™

BUSINESS STUDIES **0450/11**

Paper 1 Short Answer/Data Response **May/June 2026**

MARK SCHEME

Maximum Mark: 80

Published

This mark scheme contains the instructions and marking guidance that our examiners used to mark candidate responses for this component.

Before they start marking, examiners complete a standardisation process. They review a range of candidate responses and discuss the mark scheme in detail to agree which answers can and cannot be accepted. Examiners award marks where it is clear that candidate responses have met the requirements of the mark scheme. These requirements may vary between different components or different versions of the same component, depending on the exact requirements of the question and the candidate responses seen during the standardisation process.

Sometimes, our mark schemes may allow marks to be awarded to responses which contain elements that are factually incorrect or for content not covered by the syllabus. We do this in response to the demands of a specific question to support candidates and make sure that our assessments are fair. However, these allowances should not be used as a guide for teaching and learning.

We cannot discuss the mark scheme with schools, and we recommend that schools read the mark scheme together with the assessment material and the Principal Examiner Report for Teachers.

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General marking principles

All examiners must apply these marking principles when marking candidate responses.

1	Examiners must award marks for each response in line with: • the specific **content** defined in the mark scheme • the specific **skills** defined in the mark scheme or in the level descriptions • the **standard of response** required as exemplified by the standardisation scripts.
2	Examiners must award **whole marks** (not half marks, or other fractions).
3	Examiners must award marks **positively**. This means that: • marks are not deducted for errors or omissions • marks are awarded for correct/valid answers as defined in the mark scheme and also for **other valid answers** which go beyond the scope of the syllabus and mark scheme referring to your team leader as appropriate • the quality of spelling, punctuation and grammar are judged **only** when the mark scheme indicates that these features are **specifically assessed** in the question. However, the meaning of all responses must be unambiguous.
4	Examiners must **consistently** apply the requirements of the mark scheme and any rules for what to do when candidates have not followed instructions correctly.
5	Examiners must use the **full range of marks** defined in the mark scheme, unless limited by the quality of the candidate responses seen.
6	Examiners must award marks according to the mark scheme and **must not** award marks with grade thresholds or grade descriptions in mind.

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Social Sciences-Specific Marking Principles
(for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)
b DO credit alternative answers/examples which are not written in the mark scheme if they are correct
c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).
d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)
e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities
f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).
g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. corrasion/corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

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3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotations

Annotation	Meaning
	Correct point.
	Incorrect point.
BOD	Used when the benefit of the doubt is given in order to reward a response.
TV	Used when parts of the answer are considered to be too vague to be given credit.
REP	Indicates where content has been repeated.
NAQ	Used when the answer or parts of the answer do not answer the question asked.
K	Indicates knowledge and understanding of the concepts and issues relating to the question.
APP	Indicates appropriate reference to the information in the stem.
AN	Indicates where the answer has demonstrated analysis.
EVAL	Indicates where the answer has demonstrated evaluation (part (e) questions only).

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Annotation	Meaning
OFR	If a mistake is made in a calculation, and the incorrect figure that results from the mistake is used for subsequent calculations.
SEEN	Indicates that the page or content has been seen by examiner, but no credit given.

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Question	Answer	Marks	Guidance
1(a)	**Identify <u>two</u> ways the size of a business can be measured.** Award one mark per way (max 2). Points might include: • (Number of) employees/size of workforce / (amount of) labour • Value of output / value of sales / revenue/turnover • Number of customers / numbers of sales / volume of output • (Value of) <u>capital employed</u> / value of statement of financial position • Market share • (Number of) outlets/shops/factories Other appropriate responses should be credited.	**2**	Notes: • Can accept 'sales' or 'output' if no specific reference to value or volume. Do not award: • Profit • Value of assets • How much business is worth
1(b)	**Identify <u>two</u> reasons why governments support new businesses.** Award one mark per reason (max 2). Points might include: • Reduce unemployment/create jobs • Increase competition • Increase output / increase GDP / economic growth • Benefit society/improve environment • Small businesses can grow • Generate taxation/taxes • Motivate/encourage entrepreneurs/innovation • Reduce imports / increase export • Provide <u>a variety</u> of goods/services/can provide specialist goods • Some start-up/smaller businesses often have lower costs than larger businesses and can pass these onto consumers through lower prices • Help attract investors/businesses from other countries. Other appropriate responses should be credited.	**2**	Only award the first two responses given. Do not award: • Examples of government support • Improve/develop economy • Improve productivity

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Question	Answer	Marks	Guidance
1(c)	**Identify <u>four</u> reasons why a business might fail.** Award one mark per reason (max 4). Points might include: • Poor planning / lack of objectives / poor business plan • Cash flow problems / lack of working capital/liquidity issues • High/rising costs/<u>persistent</u> loss/not meeting break even • Poor management (skills) / lack experience / lack of knowledge/poor decision making/co-ordination • <u>Overexpansion</u> / business expands too quickly • Lack of demand/sales / (too much) competition / no customer loyalty • Poor marketing/low recognition • Lack/poor market research • Economic influences / changes in business environment e.g. inflation/ recession/exchange rate • Failure to invest in new technologies/failure to adapt to changes in the market • Lack of finance/capital • Poor choice of location • Bad reputation / poor brand image Other appropriate responses should be credited.	**4**	Only award the first four responses given. Do not award: • Lack of efficiency in production • Low quality/bad products • No profit • Communication problems

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Question	Answer	Marks	Guidance
1(d)	**Explain <u>one</u> advantage and <u>one</u> disadvantage to Peter of using crowdfunding as a source of finance**. Award 1 mark for identification of each relevant advantage/disadvantage (max 2) Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: Advantages: • No/low interest charged [k] so does not increase cash outflows [an] for this sole trader [app] • Can raise a large amount of finance [k] • Can test public reaction [k] and decide whether to start the business [an] • Builds customer relationship/create brand awareness [k] which could lead to more customers [an] for this small business [app] • May not need to repay/permanent [k] so does not add to its liabilities/debt [an] • No collateral/security/credit history needed [k] • May get advice/feedback [k] • Fast way to raise finance [k] • Maybe available when other sources of finance are not available [k] Disadvantages: • No guarantee can raise full amount / may not raise sufficient funds / not reliable source [k] must repay everyone if cannot raise full amount /so may need to find another source [an] for this new business [app] • Crowdfunding site may reject the proposal [k] therefore the owner's time has been wasted [an] • Competitors may learn more about your business before launch [k] and use Peter's ideas [an] for being a photographer [app] • A lot of paperwork [k] • Slow to organise [k] because media interest / publicity needs to be generated to increase chance of success [an] • Site may take a percentage of the funds raised [k] Other appropriate responses should be credited.	**6**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Start-up/new business • Small (business) • Weddings • Photographer or related words • Sole trader • Government support • Service Other appropriate examples can be credited. Notes: • Some points could be awarded as [k] or [an] but only award once. Do not award: • Points about other sources of finance • Mirror arguments such as: fast method (advantage) and slow method (disadvantage).

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Question	Answer	Marks	Guidance
1(e)	**Do you think the advantages of being a sole trader are greater than the disadvantages? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for justified decision about whether the advantages of being a sole trader are greater than the disadvantages. Points might include: Advantages: • Keep all the profit [k] so owner has an incentive to work harder / so can decide how to invest it [an] • Quick decision-making [k] so may be more responsive to changes in demand [an] • Complete control/own boss/all decisions[k]so less chance for disagreement/ no need to consult anyone before making decisions [an] • Has freedom to choose own holidays/work hours [k] to gain a better work/life balance [an] • Easy to set up/few legal requirements [k] • Financial information is kept private [k] • Maintains close contact with customers [k] Disadvantages: • Unlimited liability [k] so personal assets are at risk (if the business is unable to pay its debts) [an] • Limited/less access to finance [k] which could limit expansion [an] • No one to share workload/responsibility/control with [k] so less time to specialise on certain activities [an] • Few ideas / less knowledge/experience [k] which may restrict its ability to compete with competitors [an] • Carry all the risks/potential loss/costs [k] • Unincorporated/ no separate (legal) identity [k] • Lack of continuity [k] Other appropriate responses should be credited.	**6**	This is a generic question so there are no marks for application. To access evaluation must refer to an advantage and disadvantage. For evaluation to be awarded justification will usually follow on from relevant analysis of points. Notes: • Some points can be [k] or [an] but only award once. Do not award: • Definitions • Points about other types of business organisation • Mirror arguments e.g. complete control as advantage and all the responsibility as the disadvantage

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Question	Answer	Marks	Guidance
1(e)	Justification might include: One advantage is the owner can keep all the profit [k] so has an incentive to work harder [an]. However, having less access to finance [k] could limit expansion [an]. The disadvantages are greater, because if the business misses out on the opportunity to expand, this could result in less potential sales/revenue [eval] and if costs remain the same, there could be less potential profit. [eval]		

Question	Answer	Marks	Guidance
2(a)	**Define 'non-current assets'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. • Resources owned by a business which will be used for a period longer than one year [2] • Items owned/held by a business for more than one year [2] • Assets owned for more than a year [2] Partial definition e.g. • Items owned/bought/possessed by the business [1] • Items used/lasting for more than one year [1]	**2**	Notes: • Accept more than one accounting period / for one year or longer. Do not award: • Assets owned for one year • Examples of assets e.g. property • Long term • Cannot convert to cash /liquidate within one year
2(b)	**Calculate OBZ's working capital. Show your working.** Award 2 marks for a correct answer. Award 1 mark for correct method but incorrect answer. Correct answer: $60 000 [2] Correct method but incorrect answer maximum [1] e.g. • Current assets – current liabilities • 300 000 – 240 000 • 300 – 240 • 60	**2**	If correct answer given with no working shown, award 2 marks. $ sign not required.

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Question	Answer	Marks	Guidance
2(c)	**Outline <u>two</u> reasons why OBZ needs to manage its cash.** Award 1 mark for each relevant reason (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • To pay wages/labour cost [k] of its 80 employees [app] • Pay suppliers/trade payables/raw materials/inventory [k] for materials to make carpets [app] • Pay heating bills/utilities [k] in the factory [app] • Pay rent [k] • Pay insurance [k] • Pay for advertising [k] • Pay interest (on loans) [k] • Pay (government) taxes [k] • Pay maintenance /repair costs [k] • Repay (short-term) debts/ repay loan [k] as owe $240 000 [app] • Cash available for emergency /to pay unexpected costs [k] • Predict/plan for/budget to/prevent cash flow problems/avoid going into debt [k] • Ensure business survival/continue /may be forced to close if cannot pay its debt [k] Other appropriate responses should be credited.	**4**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Carpets • Job production • Quality production • 80 (employees) • Factory • $300 000 (current assets) • $240 000 (current liabilities) • $60 000 (working capital) *OFR applies* • 1.25 (current ratio) Other appropriate examples can be credited. Notes: • Accept expenses/overheads/costs/ current liabilities if no specific examples of day-to-day costs given. Do not award: • Invest/expand/buy equipment • References to profit • Support request for loan/finance/fund start-up/source of funds

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Question	Answer	Marks	Guidance
2(d)	**Explain <u>two</u> ways OBZ could maintain quality production.** Award 1 mark for identification of each relevant way (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Use quality control [k] where products are checked at the end of production/so defective products are not sold [an] from the factory [app] • Use quality assurance [k] where quality is checked throughout production [an] when making carpets [app] • Train/recruit skilled employees [k] as there are 80 employees [app] which could lead to less mistakes [an] • Use quality machinery/introduce new technology/automation [k] as currently use job production [app] • Use quality materials [k] therefore products last longer /are durable[an] • Continue using job production [k] Other appropriate responses should be credited.	**6**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Carpets or related words • Job production • 80 (employees) • Factory • $300 000 (current assets) • $240 000 (current liabilities) • $60 000 (working capital) • 1.25 (current ratio) Other appropriate examples can be credited. Notes: • Can credit the same [an] for different points but only award once. • Where products are checked at the end of production can be [k] or [an]. • Where quality is checked throughout production can be [k] or [an]. Do not award: • Continuous improvement • Improve motivation

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Question	Answer	Marks	Guidance
2(e)	**Do you think the advantages to a business of using job production are greater than the disadvantages? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for justified decision about whether the advantages for a business of using job production are greater than the disadvantages. Points might include: Advantages: • Meet exact customer requirements / customized / specialised products [k] which increases customer loyalty/sales [an] • Unique/one-off/specialised products/USP[K] can charge higher price[an] • High-quality goods/services[k] which could lead to better brand image[an] • High motivation (of employees) [k] as some variety to work [an] few workers leave / less absenteeism [an] • Can charge high prices [k] which could increase profit margin [an] Disadvantages: • Products made to order/can take long time to make [k] so low output/ so mistakes can be expensive to correct [an] • No economies of scale (or examples) [k] increasing average/unit cost [an] • Skilled labour is needed [k] increases labour/training costs [an] • Labour intensive [k] Other appropriate responses should be credited. Justification might include: Job production allows the business to meet customer requirements [k] which can increase customer loyalty [an]. However, there are no economies of scale [k] leading to higher unit cost [an]. The advantages are greater because if customers get exactly what they want they may pay a higher price [eval], covering the higher costs involved in making the product. [eval]	**6**	This is a generic question so there are no marks for application. To access evaluation must refer to an advantage and disadvantage. For evaluation to be awarded justification will usually follow on from relevant analysis of points. Notes: • Some points can be [k] or [an] but do not award the same point twice.

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Question	Answer	Marks	Guidance
3(a)	**Define 'democratic leadership style'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. • Involves employees/subordinates in the decision-making process [2] • Employees take part in the decision-making [2] Partial definition e.g. • Manager asks for employees' opinions / listens to employees' ideas [1] • Employees vote on decisions [1]	**2**	For 2 marks need the idea that it involves employees and reference to decisions.
3(b)	**Identify two functions of management.** Award 1 mark per function (max 2). Two from: • Planning/plan • Organising/organise • Commanding/command • Controlling/control • Coordinating/coordinate/coordination	**2**	Only award the first two responses given.

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Question	Answer	Marks	Guidance
3(c)	**Outline <u>two</u> ways SDY could increase the number of sales.** Award 1 mark for each relevant way (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Advertising (or examples such as television)/product placement [k] the hats/scarves [app] • <u>Lower</u> prices/ promotional pricing/offer discounts [k] in 240 locations [app] • <u>Introduce</u> new products [k] in the shops [app] • Improve customer service [k] which may be included in the induction training [app] • Point of sale display [k] • Free samples [k] • Competitions [k] • Offer free gifts [k] • Loyalty cards [k] • Buy One Get One Free / BOGOF [k] • New/change packaging [k] • Enter a new market [k] • Sell through new outlets / introduce ecommerce [k] Other appropriate responses should be credited.	**4**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Hats/scarves or related words • Shops • 240 (locations) • 3000 employees • Induction training • Democratic leadership style Other appropriate examples can be credited. Notes: • Can award promotion if no specific examples of advertising or sales promotion. Do not award the following as they are too vague: • Have low price • Marketing • Ethical • Improve/create brand image.

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Question	Answer	Marks	Guidance
3(d)	**Explain <u>one</u> advantage and <u>one</u> disadvantage of SDY using induction training for its new employees.** Award 1 mark for identification of each relevant advantage/disadvantage (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: Advantages: • Helps new employees gain knowledge about the work (place) / settle quickly into job/ role [k] so can help maintain standards [an] in the shops [app] • Less likely to make mistakes [k] which helps protect the business reputation [an] when selling hats [app] • May be a legal requirement [k] so must offer to avoid any fines [an] • Allow new employees to meet other workers [k] at the 240 locations [app] • Helps to be made aware of important health and safety issues before starting the job [k] • Increase motivation [k] or [an] • Workers are less likely to leave/improve employee retention [k] Disadvantages: • Employees are not working but are still being paid [k] which increases costs [an] of employing its 3000 employees [app] • Delays when employees start their job [k] so may not be able to operate at full capacity [an] • Time-consuming [k] could reduce the chances of achieving objectives [an] such as increasing the number of sales [app] • Increases costs [k] which increase cash outflows/total cost [an] Other appropriate responses should be credited.	**6**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • Hats/scarves or related words • Shops • 240 (units) • 3000 employees • Objective is to increase sales • Democratic leadership style • External recruitment/recruited externally Other appropriate examples can be credited. Notes: • Points can be about employer or employee. • Costs can be [k] or [an] but reward only once • Some points maybe [k] or [an] but accept only once. Do not award: On the job/off the job training

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Question	Answer	Marks	Guidance
3(e)	**Explain <u>two</u> methods of external recruitment a business could use. Which is likely to be the best method for a business to use? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for justified decision about which is the best method of external recruitment for a business to use. Points might include: • <u>Specialist/trade</u> magazines [k] can target potential employees interested in this industry/type of work [an] • Online/ social media/ website /LinkedIn [k] which can reach large numbers of people / include detailed information/low cost [an] but not everyone has access to the internet [an] • (Recruitment) agencies [k] which saves administration time [an] but recruitment agencies charge a fee for their services [an] • (Government-run) job centres [k] as no cost to the business [an] but only reach those people who are actively looking for a job [an] • Local newspapers [k] which people could ignore [an] • National newspapers [k] but must pay to advertise [an] which increases costs [an] • Notices/poster/flyers (shop windows/ outside the business) [k] • Job fairs [k] • Billboards [k] • Television/cinema [k] • Word of mouth [k] Other appropriate responses should be credited. Justification might include: Recruitment agencies [k] which saves administration time [an]. Another method is online recruitment sites [k] which can reach many people [an]. An online recruitment site is the best method because having access to a wider pool of people can make it easier to find the right person for the job [eval] which may reduce the need to readvertise in the future [eval].	**6**	This is a generic question so there are no marks for application. To access evaluation must discuss two relevant methods. For evaluation to be awarded justification will usually follow on from relevant analysis of points. Notes: • Some [an] could be used for different points but only award once. • Analysis can focus on advantages or disadvantages. Do not award: • Methods of selection e.g. interviews • Methods of advertising <u>products</u> • Magazines (on own)

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Question	Answer	Marks	Guidance
4(a)	**Define 'exchange rate depreciation'.** Award 2 marks for a full definition. Award 1 mark for a partial definition. • A currency's value falls against another currency [2] • Value of the currency goes down with respect to another (currency) [2] Partial definition e.g. • Currency is weaker/falls [1] • Can buy less with currency [1]	**2**	For 2 marks must first show that there is a fall in value and this is in relation to another currency **not** money. Do not accept: • Exchange rate falls between countries • Numerical examples
4(b)	**Identify two reasons why a business might import raw materials.** Award 1 mark for each relevant reason (max 2). Points might include: • Lower prices/cheaper (cost of materials) [k] • Wider choice/variety [k] • Products may not be available in own country [k] • Better quality [k] • Purchasing from ethical supplier [k] • Purchasing from environmentally friendly supplier [k] Other appropriate responses should be credited.	**2**	Only award the first two responses given.

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Question	Answer	Marks	Guidance
4(c)	**Outline <u>two</u> benefits to TRC of developing new products.** Award 1 mark for each relevant benefit (max 2). Award 1 mark for each relevant reference to this business (max 2). Points might include: • Increase sales / expand in existing markets/increase customer loyalty/ attract new customers [k] of smoothies [app] • Provide competitive advantage/unique selling point [k] which can feature on the packaging [app] • Enter new markets [k] by changing the ingredients [app] • Spread risk/diversification [k] • Can charge a high price [k] • Improves brand image/improved reputation [k] Other appropriate responses should be credited.	**4**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • smoothies • Ingredients/fruit/mangoes/ strawberries or related words e.g. flavours • Imported • Packaging • Environmental pressures • Depreciation/exchange rate Other appropriate examples can be credited.

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Question	Answer	Marks	Guidance
4(d)	**Explain <u>two</u> roles of packaging for TRC.** Award 1 mark for identification of each relevant role (max 2). Award 1 mark for each relevant reference to this business (max 2). Award 1 mark for each relevant explanation (max 2). Points might include: • Protect the product / keep product fresh/safe / helps ensure quality [k] of its ingredients [app] to reduce wastage/ increasing repeat purchases [an] • (Promote) brand image/reputation/differentiate it from other products/ help recognition [k] of its smoothies [app] leading to brand loyalty/increased sales [an] • Add value/appear higher quality [k] may allow them to set higher price [an] for its new product [app] • Help advertise/attract customers [k] increase revenue/increase market share [an] • Carry information about the product / meet legal requirements [k] • Ease of storage/display [k] • Ease of transport [k] • Make the product easy/convenient to use [k] Other appropriate responses should be credited.	**6**	To use words from the stem as application, the reference must be appropriate (i.e. make sense) in relation to the point being made. The following words are likely to be appropriate for this question: • smoothies • Ingredients/ fruit/ mangoes/ strawberries or related words e.g. flavour/ nutritional information • (Developing a) new product • Environmental pressures • Imported • Exchange rates Other appropriate examples can be credited. Notes: • Accept brand image/sales as either [k] or [an] but not both.

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GradeMax

Question	Answer	Marks	Guidance
4(e)	**Explain <u>two</u> reasons why a business might respond to environmental pressures. Which reason is likely to be the most important? Justify your answer.** Award up to 2 marks for identification of relevant points. Award up to 2 marks for relevant development of points. Award up to 2 marks for justified decision about which reason is likely to be the most important. Points might include: • Avoid pressure group action/boycotts/if don't respond will lose sales or loyalty [k] which may damage brand image [an] • Protect reputation/brand image [k] which can increase sales [an] AND/OR increase/maintain customer loyalty [an] • Respond to changing customer demands [k] helps the business remain competitive [an] • Attract/maintain sales [k] to maintain/increase revenue [an] • Differentiate from competitors [k] which can allow them to increase price [an] • Avoid possible legal action/fines/gain tax breaks/legal requirement [k] which could increase costs [an] • Meet business objectives [k] Other appropriate responses should be credited. Justification might include: One benefit is that it allows the business to avoid pressure group action [k] which may damage brand image [an]. It could also help differentiate the business from its competitors [k] which could allow them to set higher prices [an]. Avoiding pressure group action is likely to be most important reason because a bad reputation is likely to lead to fewer sales [eval] and customers may not be willing to buy the products whatever the price set [eval].	**6**	This is a generic question so there are no marks for application. To access evaluation must discuss two relevant reasons. For evaluation to be awarded justification will usually follow on from relevant analysis of points. Notes: • Some points could be awarded as [k] or [an], but only award once e.g. brand image, sales. • Some analysis can be awarded for different points, but only once. • Award only once 'don't respond will lose sales' or 'if do respond will attract sales' Accept as [an] only: • May attract workers • May attract investors Do not award: • Ways to respond to environmental pressures • Avoid being closed down • Ethical issues • Taxation/taxes on their own • Cheaper

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